Stop interfering!

Why 'electronic smog' is a real danger

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Volkswagen

Waiting for Piëch to make his mark

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Beyond telephony

AT&T prepares for a brave new world

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Italian privatisation

Investment banks jostle for Piero Barucci's pot of gold

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FT NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY JANUARY 26 1993

D8523A

Exxon earnings rise by 25% in fourth quarter

Exxon, the world's biggest integrated oil company, posted an unexpected 25 per cent rise in fourth quarter earnings, helped by lower operating costs and strong US natural gas prices. Net income per share rose to $1.12 compared with market expectations of about 96 cents. On Wall Street, Exxon shares rose by $1-7/8 to $60 at mid-day. Page 17

Pension battles go to court: Employers will closely watch events at the European Court of Justice which today hears three pensions cases – from Britain, Germany and the Netherlands – the results of which will determine how pensions are to be equalised across Europe. Page 16

Pressure mounts for Japanese rate cut:

Pressure on the Bank of Japan to ease monetary policy intensified as regional branch managers, politicians and business organisations called on the Bank to reduce the official discount rate from 3.25 to 2.75 per cent. Central bank governor Yasushi Mieno (left) admitted that economic conditions were "severe" but said the promised increase in public works spending should help revive demand. Bank officials are concerned that hopes of a cut are encouraging consumers to delay spending on large items. Page 16

UK airlines patch up quarrel: British Airways and Virgin Atlantic moved closer to ending their "dirty tricks" row after a meeting between BA chief executive Sir Colin Marshall and Virgin chairman Richard Branson. Page 6; Lex, Page 16

Merrill Lynch Japan, local subsidiary of US securities house, is closing three of six branches, ending its ambitions to establish a strong presence in Japan's securities retail market. Page 17

Kuwait ready to cut oil production: Kuwait said it was willing to join Opec members in cutting the cartel's second-quarter output amid signs of an emerging consensus to peg back production by up to 1m barrels a day. Page 24

GEC Alsthom, Anglo-French group best known for developing the TGV high-speed train, hopes to buy the east German railway equipment group Deutsche Waggonbau in a move that would double GEC's transport division. Page 18

New York Post wins reprieve: The New York Post, the smallest and most sensational of the Big Apple's three leading tabloids, won a last-minute reprieve after a weekend of intrigue and frantic negotiations. Page 4

Spirit sales drop: Worldwide sales of top-brand spirits fell for the second year in 1992. Even in Japan, Scotch whisky sales dropped by 5-10 per cent below 1991 levels. Page 3

Porsche family takes step down: Two members of the Porsche family are to leave the board of the troubled sports car maker to make way for Helmut Sihler, former chairman of the board at German chemicals group Henkel. Page 18

Canadians want US steel deal: Canadian steel producers are pushing for a deal with the US aimed at an integrated North American steel market. Page 3

Clinton silent on energy tax: President Clinton said he had made no final decision on the imposition of an energy tax, a day after the idea was mooted by his treasury secretary Lloyd Bentsen. Putting the bite on consumption, Page 4

Mercedes/BMW talks: Mercedes-Benz is in talks with arch-rival BMW over possible collaboration on parts manufacture, according to Helmut Werner, incoming chairman of the Daimler-Benz luxury car subsidiary.

Two killed at CIA headquarters: Two people were shot dead outside Central Intelligence Agency headquarters near Washington. A gunman, carrying an assault rifle, escaped after wounding three others.

Pirelli, Italy's tyres and cables group, sold its STL Superga shoes and clothing subsidiary to an arm of the Milan-based Sopaf investment banking group for L103bn ($70m). Page 17

Iraqi weapons inspection: UN inspectors intensified their search for Iraqi weapons of mass destruction without any hindrance from officials in Baghdad. Page 5

STOCK MARKET INDICES

FT-SE 100:	2,771.9	(-9.3)
Yield	4.41	
FT-SE Eurotrack 100	1,077.68	(-13.96)
FT-A All-Share	1,344.87	(-0.3%)
Nikkei	16,287.45	(-49.36)
New York: lunchtime		
Dow Jones Ind Ave	3,292.47	(+35.66)
S&P Composite	440.18	(+4.08)

US LUNCHTIME RATES

Federal Funds:	$3\frac{1}{16}$%
3-mo Treas Bills: Yld	2.992%
Long Bond	$104\frac{23}{32}$
Yield	7.231%

LONDON MONEY

3-mo Interbank	$7\frac{1}{8}$%	($6\frac{7}{8}$%)
Liffe long gilt future:	Mar $100\frac{1}{16}$	(Mar $100\frac{13}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$17.875	(17.35)

Gold

New York Comex (Jan)	$329.8	(328.6)
London	$328.75	(329.25)

STERLING

New York lunchtime:		
$	1.5565	
London:		
$	1.5595	(1.5345)
DM	2.4525	(2.44)
FFr	8.3	(8.2625)
SFr	2.25	(2.24)
Y	192.25	(191.5)
£ Index	80.4	(79.7)

DOLLAR

New York lunchtime:		
DM	1.5755	
FFr	5.3305	
SFr	1.446	
Y	123.35	
London:		
DM	1.5725	(1.59)
FFr	5.3225	(5.385)
SFr	1.4425	(1.459)
Y	123.3	(124.8)
$ Index	85.3	(86.2)

Tokyo close Y 125.65

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr15
Czech	Kcs35	Israel	Shk5.50	Norway	NKr16.00	Switz	SFr3.20
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Syria	S£50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Ps045	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	UAE	Dh11.00

Sears closes book on mail-order catalogue

By Nikki Tait in New York

SEARS ROEBUCK yesterday closed the book on its mail-order catalogue, a distinctive part of American life for a century and the foundation of the company's retail business.

The end of the catalogue business was announced as part of a restructuring which will also result in the closure or disposal of 150 stores and the loss of 16,000 full-time and 34,000 part-time jobs.

Sears will take a $1.7bn after-tax charge against earnings for the fourth quarter of 1992.

"The catalogue is our heritage, it's how Sears started," Mr Arthur Martinez, who came from Saks Fifth Avenue last October to run Sears' troubled merchandise division, said yesterday. "However, we have concluded we cannot improve our market position or achieve an acceptable return fast enough or with sufficient certainty to justify remaining in the business."

The catalogue has lost between $135m and $175m in each of the past three years, despite circulating to 14m households and pulling in sales of about $3.3bn.

It traced its roots to 1887, when Richard Warren Sears, a former telegraph agent with the Minneapolis and St Louis Railway, published his first circular selling watches and jewellery.

By 1896, when the Sears general merchandise catalogue was launched, his publication had expanded to 532 pages and offered products from clothing to baby carriages.

For many decades, the business prospered, becoming a mainstay for isolated farming communities in the midwestern US. Sears moved into "main street" retailing in the 1920s, building up a chain of over 800 department stores. The combined catalogue and high street operations made Sears the largest US retailer in the US until the late 1980s.

Recently, however, Sears has faced mounting pressure from lower-cost rivals – discount chains like Wal-Mart Stores and Kmart and the warehouse clubs. In response, Sears has announced a series of restructuring measures, aimed at lowering costs and improving efficiency.

Overall, 40,000 Sears jobs have been shed since 1990, although the retailer still employs some 350,000 people.

Sears, based in Chicago, claimed that the latest overhaul, which will take a year to implement, should improve after-tax profits by about $300m a year. It has four major elements:

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Lex, Page 16

Two UN peacekeepers killed in crossfire

Yugoslav army put on alert as clashes escalate

By Laura Silber in Belgrade and Robert Mauthner in Geneva

THE YUGOSLAV army yesterday placed its forces on a higher state of combat readiness, citing fresh clashes between Serbs and Croats in Croatia and fighting between Serb and Moslem forces in neighbouring Bosnia.

Croatia pressed its four-day offensive across United Nations peacekeeping lines near the Adriatic port of Zadar. Two French UN peacekeepers were killed in crossfire in nearby Karin Placa. Croatia announced that its forces had overrun the local Zemunik airport, a strategic base.

At the same time, fighting intensified between Serbs and Moslem forces in eastern Bosnia, along its border with Serbia.

The Bosnian peace conference in Geneva continued to be overshadowed by the fighting between Serbs and Croats and made no progress towards agreement on a map of the provincial boundaries of the future state of Bosnia-Hercegovina.

In Belgrade, a statement issued by the Supreme Defence Council of Yugoslavia, comprising Serbia and Montenegro, said "the latest Croatian and Moslem offensives have worsened the security situation in the region and threatened the Geneva negotiations and the UN peace plan", Belgrade-based news agency Tanjug reported.

The council, chaired by Yugoslav President Dobrica Cosic, ordered the government of the rump Yugoslavia to take all necessary measures "on a foreign and internal plane" to deal with the flare-up. The Serb-dominated armed forces were put on alert.

Mr Vitaly Churkin, Russian deputy foreign minister, said Moscow might press for international sanctions against Zagreb if the Croatian attacks persisted.

The clashes in Krajina, the Serb enclave in Croatia, raised fears that the fighting would spread beyond the 65-mile line of confrontation. "We are trying to prevent it from exploding in other areas but we are facing an extremely dangerous situation," said Mr Cedric Thornberry, the UN chief of civilian affairs.

The latest Croatian advance contradicted an announcement on Sunday night by Croatian President Franjo Tudjman that the offensive was over because the country had achieved its strategic goals – to secure the area around the Maslenica bridge which joins mainland Croatia to the southern Dalmatian coast.

Surprisingly, Serbian President Slobodan Milosevic appeared to be playing down the fighting in Croatia. He declined to stir up nationalist passions as he has done in the past. Instead, in a parliamentary address he said Serbia had three priorities: "Peace, economic development and the fight against crime."

But Mr Vojislav Seselj, the ultra-nationalist Serb leader and a favourite of Mr Milosevic, accused Mr Cosic of striking a secret deal with his Croatian counterpart.

"We suspect and accuse Cosic of agreeing with Tudjman that Krajina should be attacked. Cosic is now worried Tudjman is going too far. Cosic has betrayed the interests of the Serbian people and he should resign," said Mr Seselj, who also commands a paramilitary unit which fought in the Serbo-Croat war in 1991 and in neighbouring Bosnia.

Independent analysts also speculated that the Serb and Yugoslav presidents had secretly agreed to Croatia taking control of the Maslenica region in exchange for the east-west corridor linking Serb-controlled territories in Bosnia to Serbia. Bosnia's Serb, Moslem and Croat leaders are in Geneva to discuss proposed maps dividing the former Yugoslav republic into ten provinces.

Danish PM names cabinet

Poul Nyrup Rasmussen, Denmark's new prime minister and chairman of the Social Democratic Party, waves to the crowd as he presents 24-member cabinet – the largest in the country's history. It includes 15 Social Democrats, four Centre Democrats, three Radicals and two Christians. Page 16

D-Mark rallies sharply as interest rates held steady

By James Blitz in London and Christopher Parkes in Frankfurt

THE D-MARK rallied sharply against the dollar yesterday on speculation that the Bundesbank might not cut short-term interest rates as quickly as financial markets had expected.

The weakness in the dollar was also the product of a growing belief that the US Federal Reserve may not raise short-term interest rates now that the Clinton administration has signalled a tough line on tackling the budget deficit.

The D-Mark gained nearly 2 pfennigs against the dollar as dealers grew concerned that public sector wage talks between the German government and trade unions were deadlocked.

A successful resolution of the talks has been seen by the Bundesbank as a necessary precursor to any decision to cut short-term German interest rates.

The dollar fell in European trading to a low of DM1.569, before closing 1.75 pfennigs down on the day at DM1.5725. That is more than 7 pfennigs lower than its level three weeks ago.

The D-Mark was also underpinned by news that German inflation and money supply, both central to the Bundesbank's interest rate policy, were still not under control.

The M3 measure of monetary growth expanded at an annual rate of 8.8 per cent during December, compared with the central bank's target maximum of 5.5 per cent.

Meanwhile, the annual rate of inflation in North Rhine Westphalia, Germany's most heavily industrialised and most populous state, rose a full percentage point last month to 4.2 per cent – more than double the Bundesbank's ideal level.

The revised expectations over German monetary policy helped to push French money market rates higher, as dealers feared that interest rate cuts in Europe might be delayed. Three-month French francs also firmed sharply to 12¼ per cent from about 11¾ per cent last Friday.

The Bank of France has kept short-term money market rates high as part of its strategy of defending the French franc in the European exchange rate mechanism. However, chancellor Helmut Kohl warned yesterday that the European Community would not allow currency speculators to wreck the ERM.

The growth in German M3, a measure which includes cash, short-term deposits and fixed-term savings accounts, marked a further fall from October's peak of 10.3 per cent when figures were distorted by the previous month's interventions during the European exchange rate crisis.

However, the bank pointed out that in absolute terms the German money stock had grown by DM142bn ($89bn) between the end of 1991 and the final quarter of 1992 – at double the rate recorded in the previous year.

Yesterday's inflation indicator from North Rhine Westphalia suggested that underlying prices are still rising. Some increase had been expected with the change from 14 per cent to 15 per cent in the basic rate value added tax. However, a more modest cost-of-living rise had been expected since many retailers had promised not to pass on the new tax in full.

The mood in industry has been improved lately by hopes that the Bundesbank will start to reduce key interest rates. This, economists argue, will improve confidence in important export markets and reinforce the rise in demand expected as a consequence of recovery in the US.

The monthly survey by the Munich-based Ifo economics institute said for the first time in six months that industry had become less pessimistic about the future. While the RWI institute in Essen, forecast that industry would start to recover later this year, thanks to exports.

Solidarity talks, Page 2
US treasuries rise, Page 21
Currencies, Page 32

First tests of cancer vaccine on humans to start soon

By Clive Cookson, Science Editor, in London

THE FIRST human tests of a vaccine designed to prevent cancer will start at the end of this year, the UK Cancer Research Campaign announced yesterday.

CRC researchers believe viral vaccines will become one of the main methods of cancer prevention during the next century.

The new vaccine stops infection with the Epstein Barr Virus, which is known to cause several types of cancer.

Only a few years ago most scientists would have dismissed the idea of a link between viruses and cancer as wild speculation. However, recent evidence suggests that viruses are responsible for at least 20 per cent of all cancers – perhaps 5m cases a year worldwide.

Epstein Barr Virus does most damage in China where it causes 60,000 deaths a year from cancer of the nasal cavity, and in tropical Africa where it leads to several thousand cases a year of Burkitt's Lymphoma, a childhood cancer.

In Europe and north America, the main health effect of EBV is to cause glandular fever but recent evidence suggests that it is also associated with Hodgkin's Disease, a cancer of the lymph nodes which affects 1,200 people a year in the UK.

Dr John Arrand is leading the EBV vaccine programme at the CRC's Paterson Institute in Manchester, England, in collaboration with CRC researchers in Bristol and Birmingham.

Safety tests are due to start in about 20 healthy volunteers within a year. The next step would be to test the vaccine's effectiveness in a larger clinical trial, probably among university students who are not infected with EBV. According to Professor Gordon McVie, CRC scientific director, 80 per cent of uninfected undergraduates pick up the virus while they are at university. EBV, a member of the herpes family of viruses, is spread by kissing.

If that trial confirms that the vaccine prevents transmission of

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Germans to step up aid to the east

By Quentin Peel in Bonn

LEADERS of west German industry agreed yesterday to step up private investment in east Germany from DM110bn (£45.2bn) last year to DM130bn in 1993, provided the trade *unions agree to hold back the* pace of wage equalisation between east and west.

The plans include specific commitments from German banks and the insurance industry to pump in an extra *DM1bn apiece for housing and* industrial loans.

The business leaders also called for sweeping changes in the system of subsidising eastern enterprises, to be tied more closely to their competitiveness and market performance. They also want a strict time limit on the subsidy programme.

The plans were put forward at a top-level meeting with Chancellor Helmut Kohl, as the latest round of talks to renegotiate the rapid rise in east German engineering workers' wages ended in deadlock.

The employers want to postpone a 26 per cent pay rise due *on April 1, arguing it will be* the last straw for both privatised and unprivatised enterprises. The negotiations on behalf of 130,000 mechanical and electrical engineers in Saxony, the most important industrial state in the east, now go to legal arbitration.

At the same time, the leaders of Germany's opposition Social Democratic Party (SPD) rejected, "for the time being", an approach by Mr Kohl to attend a new round of talks on his planned "solidarity pact" for east Germany.

Mr Björn Engholm, the party leader, rejected a package of government savings measures as "sinister and anti-social".

The business leaders from Germany's four main employers' organisations yesterday presented a grim picture of the industrial collapse of the former east Germany.

At their latest round of talks with Chancellor Kohl on the solidarity pact, supposed to be completed by next week, they admitted the "necessary shrinking" of east German industry had now become outright de-industrialisation, with potentially devastating consequences for the rest of the economy.

In a nine-point paper submitted to the chancellor, they estimated that total new investment of DM400bn-DM500bn was needed to create 2m new jobs in east Germany. Since 1989, the number employed in east German manufacturing industry has collapsed from more than 3m to *an estimated 700,000 at the* end of last year.

The employers said the private sector planned to step up investment in east Germany this year from DM110bn to DM130bn, and would maintain *those plans in spite of the* gathering recession in the west.

They also proposed programmes to boost the purchasing of eastern products by western enterprises, extra *efforts to boost the marketing* of eastern products inside and outside Germany, and special programmes to support research and development.

The future of the solidarity pact hangs in the balance over *coming days, with mixed sig*nals from trade unions and the 16 state governments.

Mr Franz Steinkühler, leader of IG-Metall, the engineering workers' union, maintains much has been achieved in the talks, but insists the eastern wage contracts of his members are not open for renegotiation – the key demand put forward by the employers.

Serbs and Croats fan the flames

By Robert Mauthner in Geneva

Yugoslav federal paratroopers on exercise yesterday as Belgrade said its armed forces were being placed on a higher state of alert

THE renewed outbreak of fighting between Croats and Serbs in Croatia's Serb-occupied enclave of Krajina has once again underlined the difficulty of dealing with the vari*ous elements of the Yugoslav* crisis in isolation of each other.

Just as progress was beginning to be made on a negotiated solution to the bloody conflict in Bosnia-Hercegovina, the attention of the negotiators at *the Geneva peace conference* was diverted by an explosion in a region of Croatia which had remained relatively calm since the end of Serb-Croat hostilities a year ago. "We were so busy putting out the *fire in the living-room that* we did not notice it had spread to the attic," in the words of a diplomat close to the Geneva conference.

Yet it was in Croatia that the conflagration had broken out in the first place, and where the embers have continued to glow even after the main blaze was extinguished. The agreement of January 1992, which ended the Serb-Croat civil war and opened the door to the presence of the United Nations Protection Force in the region, was no more than a glorified ceasefire accord. Even its author, Mr Cyrus Vance, who is one of the co-chairman of the current Bosnian peace negotiations, would not claim that it offered a durable political solution.

By allowing parts of Croatia conquered by the Serbs to remain under effective Serbian control, albeit with an inadequate UN force to keep the two sides apart, supervise heavy weapons and "guarantee" the peace, the signatories were merely storing up trouble for themselves and sowing the seeds of future conflict. It was essentially Croat frustration *with the constant procrastina*tion of the Serbs in handing back, as they had undertaken, the Maslenica bridge and Zemunik airport – vital communication links between northern Croatia and the Dalmatian coast – that sparked the Croat offensive in Krajina.

That could have been foreseen, and there is every indication that President Franjo Tudjman of Croatia gave advance warning to the international mediators in Geneva, and by implication to the Serb *leadership, of what* he intended to do if the Serbs did not meet their obligations. It was not for nothing that Lord Owen, who is habitually strictly impartial in his public utterances, on this occasion expressed understanding for the frustration of the Croats, without however excusing their recourse to force. What the whole affair *has shown is that the right pri*orities are not necessarily being respected in the efforts to achieve a peace settlement for the former Yugoslavia.

It is understandable that the most burning problem of the moment, *which is Bosnia with all its attendant horrors* of ethnic cleansing and brutality, should be the focus of peace negotiations. Yet there can be no guarantee whatsoever that even a solution of this complicated problem, unlikely as that seems at the moment, would *necessarily lead to an overall* Yugoslav peace settlement.

While the negotiators are busy with constitutional principles, maps and provincial boundaries for the future state of Bosnia, the problem of a *political settlement between* Serbia and Croatia is crying out for attention. Without such an understanding, which would doubtless require territorial trade-offs, it seems improbable that lasting solutions can be reached for more limited regional problems.

Russians urge even-handed Balkan policy

By Leyla Boulton in Moscow

RUSSIA'S warning yesterday that it may seek sanctions against Croatia fits in with its long-standing advocacy of an even-handed approach towards warring parties in the former Yugoslavia.

Moscow argues that any party, and not just the Serbs, should be punished for violations of international agreements.

But both western diplomats and Russian conservatives say that Russia's fundamental alignment with the west on Yugoslavia is unlikely to change as long as pro-western reformers remain in power. Western diplomats add, how*ever, that Russia would find it* difficult to support tough new action against Serbs in Bosnia if it appeared that the west was prepared to overlook violations by other ethnic groups.

The eruption of fresh fight*ing in Croatia's UN-monitored* enclave of Krajina prompted the statement yesterday by Mr Vitaly Churkin, deputy foreign minister, that Moscow might propose international sanctions against Croatia *if its forces continued to attack* Serbs.

The Foreign Ministry said later: "Such action, undertaken at a time when a settlement of the conflict in Bosnia-Hercegovina has become a real possi*bility*, is an extremely ill-thought out move. It has become another link in the chain of violations of UN Security Council requirements." It added that the Croatians had long ignored the no-fly zone over Bosnia, supplied weapons to Croat forces and led military actions against Moslems there.

"Such actions are unacceptable and must receive an adequate reaction from the international community."

The tentative nature of Mr Churkin's warning – the government has no immediate plans to propose sanctions – appears to be part of the Foreign Ministry's balancing act between conservatives and reformers at home.

Reassurance on this point came from an unusual quarter yesterday.

Mr Vladimir Isakov, leader of parliament's hardline Rossiya faction who has just returned from talks with Serbian leaders in Belgrade, said that although he supported Mr Churkin's suggestion as "an option for balancing out the situation", it was unlikely to be implemented.

Serb nationalists have fostered close links with Russian *hardliners opposed to President Boris Yeltsin*. The co-operation ranges from sanctions violations to Cossack volunteers fighting on the Serb side in Bosnia. The media had appealed to the Russian government to take its little *brother Serbia under its* protection.

Onslaught by Zagreb undermines its support in Bonn

By Judy Dempsey in Berlin

GERMANY, which spearheaded and precipitated the European Community's recognition of Croatia in 1991, has sharply criticised Zagreb's incursion into Krajina in the south of the republic at the weekend.

Mr Klaus Kinkel, the foreign minister, told Mr Zdenko Skrabalo, his Croatian counterpart, that he understood Croatia's frustration at not being able to gain full control over its territory, but he condemned the use of force, saying it would weaken support by Germany and the international community for the Zagreb government.

"Croatia's actions at the weekend also play into the hands of Slobodan Milosevic [the president of Serbia]," said a foreign ministry official. "Milosevic will point out how he, unlike Croatia, is the man of peace," he added.

Germany is the largest provider of aid to Croatia, and is likely to argue strongly against any attempt to impose any economic sanctions against the country.

The Foreign Ministry yesterday defended the decision by Mr Hans-Dietrich Genscher, the former foreign minister, to speed up the recognition of Croatia in December 1991, despite opposition from France and Britain.

"It was morally right and just in the face of aggression by the Yugoslav army, and Serbia," an official said.

Bonn points out that Mr Milosevic's acceptance of the Vance plan for Croatia is far removed from the actual implementation of it. The plan, agreed by Zagreb and Belgrade in December 1991, paved the way for ending the war in Croatia by setting up four United Nations protectorate zones on about a third of Croatian territory held by Serb nationalists. It also included a process of demilitarisation by Serb forces in those zones, as well as the eventual return of Croatian and other refugees to those Croatian regions.

Since October, the UN has postponed the return of the refugees on the grounds that it was unsafe. The decision by Croatian President Franjo Tudjman to use military force in the protected zones reflects his frustration with delays by the UN, fears that the UN was cementing Serbian gains in the republic, and his determination to regain control, by force if necessary, of all Croatian territory. "Since the Serbs were not willing to *demilitarise* the "pink zones" so as to allow Croatian refugees to return, should we not learn some lessons from that?" an official said.

Officials in Bonn said that they repeatedly pleaded with Mr Tudjman for patience and adherence to the Vance/UN plan, whose mandate expires in May.

Köhler package will fill the regulatory gaps

Frankfurt's future as a financial centre boosted

By David Waller in Frankfurt

MR Horst Köhler, state secretary in the German ministry of finance, yesterday delivered what his government promised almost exactly a year ago: *a package of concrete pro*posals to improve the standing of "*Finanzplatz* Germany", Germany as a financial centre.

"This is a breakthrough for *Finanzplatz* Germany's international competitive position," said Mr Köhler, "and it should secure jobs and income in this fast-growing sector".

He acknowledged that the current regulatory environment in Germany is not up to international standards, to the *detriment of the country's* entire financial service sector.

He spelt out the details of a new law which will introduce a centralised regulatory body for Germany's securities markets and make insider dealing a criminal offence for the first time. The draft law – likely to be on the statute books early next year – comes after 12 months of "behind the scenes" negotiations between Bonn and the Länder which are currently responsible for policing financial markets on their turf. Bonn's broad aims were spelt out in a "concept" paper written by Mr Theo Waigel, finance *minister, last January*. At the core of the proposals is the new supervisory body, to be called the Bundesamt für das Wertpapierwesen.

This will be a federal body, independent of existing bank*ing regulators, which* will employ at least 100 people. It is not yet decided where it will be based: market participants want it based in Frankfurt, Germany's financial capital, but it may end up in the eastern part of Germany for political reasons.

The new body will be the German equivalent to the Securities & Exchange Commission, the powerful regulator of the US securities markets. It *will represent Germany on the* international stage in dialogue with other regulators.

Within Germany, working together with the Länder and the country's eight stock exchanges, it will police the *following three areas:*

- The new anti-insider dealing law. Mr Köhler did not disclose a definition of this offence, but warned that penalties would be tough, ranging from fines to imprisonment.
- A set of new rules designed to encourage disclosure and transparency on the German equity markets. At present, German companies are only *obliged to disclose stakes in* other companies when they reach 25 per cent, in contrast to a 3 per cent threshhold in the UK. The disclosure threshhold will be lowered to 10 or possibly 5 per cent. This rule *could have an important* impact on German companies: secret stake-building is at present widespread.
- A set of "rules of conduct" for participants in the securities markets. This will spell *out in precise terms profession*als' obligations to their clients. Professionals will be obliged to separate their own investments from those of their clients.

The package of measures comes just after the founding *of the Deutsche Börse AG, a* common holding structure for Germany's fragmented stock-exchanges which came into being at the beginning of the year. Both moves show Germany's determination to inten*sify its challenge to London* and other European financial centres, a determination shared by legislators as well as market participants. Once the new measures are implemented, they are are likely to enhance Frankfurt's standing in the eyes of international investors and lead to profound changes in the conduct of securities business at home.

New coalition moves in Hungary

By Nicholas Denton in Budapest

THE reconfirmed moderate leadership of Hungary's ruling Democratic Forum (HDF) yesterday began the task of build*ing a new conservative coali*tion capable of winning the 1994 general elections.

"We have to go for the moderate voters, it is the only chance," an aide to Mr Jozsef Antall, the prime minister, said *yesterday, after the weekend* party congress rejected a right-wing attempt to shift the party towards a more nationalist and xenophobic position. "Hungarians are 60-70 per cent moderate. If you want to win you *have to go for them.*"

The campaign for the floating voter is likely to see Mr Antall's conservatives emphasise their edge in experience and challenge the opposition to say how they could have better managed the economically troubled years since the 1990 elections. "We have to convince the voters that there is *no alternative," the aide added.* "Nobody else in the region has done any better than this government."

It's as if French Gaullist Jacques Chirac and France's ultra-nationalist Jean-Marie Le Pen were in government together

But opposition politicians yesterday doubted that the Forum had sufficiently healed *its internal differences* to rebound after the congress. Mr Viktor Orban, leader of the opposition Young Democrat party, praised the prime minister's tactical success in holding the party together and his verbal confrontation with Mr Istvan Csurka, leader of the ultra-nationalists. "But the fact is that Csurka and Antall remain *in the same party.*

"It is as if Jacques Chirac, the French conservative leader, and Jean-Marie Le Pen, the French ultra-nationalist, were in government together," Mr Orban added.

Many believe the performance of the economy under the Forum's stewardship will prove more important for the elections than the outcome of the congress. "People's feelings about their personal circumstances: that's what matters. That is where the election will be decided," Mr Laszlo Medgyasszay, a Forum presidium *member, said.*

The prime minister's success at the congress leaves the conservative coalition he formed in 1990 in a stronger position to continue to the end of its term and reinforce its position as eastern Europe's longest-lasting and most stable government.

But The Forum, which languishes at a humiliating 8 per cent in the opinion polls, still faces an uphill struggle to attract new coalition partners and voters nervous about the ultra-nationalists who remain on the right wing of the party.

EC may ban tankers from some areas

By David Gardner in Brussels

EC TRANSPORT and environment ministers were *last night examining* the possibility of excluding oil tankers from waters near environmentally sensitive areas, in the wake of the two recent tanker disasters off the Shetland Islands and north-west Spain.

No decisions were expected from yesterday's unscheduled meeting, which was called, EC diplomats acknowledged, to demonstrate politically that the Community intends to act in the face of mounting public concern over oil and hazardous waste pollution.

Transport ministers are to examine a forthcoming report on maritime safety by the European Commission at their meeting in March, and expect to agree on the highest priority measures in June, according to Mr John MacGregor, the UK transport secretary.

One possibility is for the EC to draw up a mandatory new routing system for vessels, to keep them away from vulnerable wildlife and marine life areas.

Among other measures given a preliminary examination yesterday were tighter enforcement of inspections of ships in EC ports, of higher training standards for crews, and of greater control over shipping traffic.

Safety at sea has until now been dealt with largely by member states individually through the International Maritime Organisation (IMO). But many member states now feel that the EC has been using the IMO as an excuse for not acting vigorously enough to reduce the number of incidents in European waters.

The UK and France were particularly insistent on the need to harmonise any new measures with the IMO.

But Mr MacGregor agreed that "we must look to see what can be done at the Community level as well as the IMO."

Czechs and Slovaks hurry towards currency split

Patrick Blum on the economic strains which have forced the two republics to hasten plans for a monetary divorce

LESS than a month after the peaceful break-up of the former Czechoslovakia the two newly independent states are preparing for a currency split which will underline their economic differences.

The original plan worked out between Mr Vaclav Klaus, the Czech prime minister, and Mr Vladimir Meciar, his Slovak counterpart, imagined that the two countries would be able to keep a *common* currency until early summer. Only then would they split, with the new Czech and Slovak crowns interchangeable and equally valuable until such time as market forces determined their future parities.

In practice, expectations that the Slovak crown would be worth less than the Czech crown has led to increasing strain on the joint currency arrangement. This led to a recent run on the banks as individuals and companies in both republics exchanged crowns for foreign currencies.

The net result has been a decision to bring forward the currency split, which is now expected within the next few days.

In anticipation of the split the monetary authorities have begun marking their own banknotes, prompting anxious savers to deposit all their spare cash in the banks while foreign institutions have stopped buying crowns in an attempt to reduce stockpiles of old notes.

According to a study by PlanEcon, the US-based research and consultancy group, the Slovak crown may need a 25 per cent devaluation against the Czech crown to remain competitive. This will be a hard pill to swallow for the Slovak government, for political as well as economic reasons.

But it is not ony the currency which is feeling the strain. Businessmen are complaining of growing bureaucracy while the introduction of value-added tax has caused a public outcry over unexpectedly high price increases. Later this year a new bankruptcy law is expected to lead to widespread closures and higher unemployment.

Businessmen claim trading between the two countries has become much more difficult and costly *because of extra* bureaucracy and customs regulations. Companies which import goods produced in the other republic have to go through a cumbersome process to cover VAT rules and customs' clearance.

Some Czech exporters complain of endless delay and problems with *shipments* sent back to Prague by over-zealous customs officers.

Both governments are also finding that keeping inflation under control will be more difficult than expected as the introduction of VAT on January 1 will add 6-8 percentage points on prices this year.

VAT was introduced as part of a broad tax reform to modernise the economy but led to sharper than expected price rises. According to the Czech statistical office the average price of food rose 8 per cent over the first two weeks of the year while the price of coal and cement for industry rose 22 per cent and 27 per cent respectively. This will have a knock-on effect throughout the economy.

The Czech government expects inflation of 15-17 per cent this year, though some economists say it will be closer to 25 per cent. Slovakia has seen similar price rises. Both governments say they will not reintroduce price controls, though neither has completely ruled this out.

Unemployment is also expected to rise as restructuring of industry deepens and mass privatisation, at least in the Czech republic, accelerates the labour shakeout.

Until now the Czech republic, with unemployment of 2.57 per cent, claims the lowest rate in Europe. But trade unions expect joblessness to rise to between 6 and 8 per cent in the Czech republic and from over 11 to 14 per cent in Slovakia.

Prague and Bratislava to elect new presidents

THE parliaments of the Czech and Slovak republics will vote today to elect their own presidents in the first elections since the break-up of the former Czechoslovakia, writes Patrick Blum in Prague.

Mr Vaclav Havel, the philosopher-playwright who had to give up his presidency of the Czechoslovak state, is expected to win the Czech presidency with official support from the ruling coalition led by the Civic Democratic party.

In Slovakia, Mr Roman Kovac, who had close ties with the Communist party, is supported by the ruling Movement for a Democratic Slovakia. He faces a more difficult challenge against three rivals as he must win a three-fifths majority.

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Canadians press for US steel agreement

By Bernard Simon in Toronto

CANADIAN steel producers want a bilateral trade agreement with the US aimed at promoting an integrated North American steel market in which both sides would place less emphasis on anti-dumping duties and other import curbs.

The initiative has surfaced on the eve of a widely-awaited dumping ruling expected today from the US Commerce Department against imports of flat-rolled steel products from 21 countries, including Canada.

Foreign producers deemed to be dumping will have to pay a bond on all shipments while the extent of injury to the US industry is examined. The International Trade Commission will make its final injury determination by May 27.

The Canadian proposal is based on an argument that the relationship between the US and Canadian steel industries is unique, both in the extent of cross-border trade and in the way the trade is conducted.

As a first step, the Canadians suggest that both Ottawa and Washington should drop current anti-dumping investigations. According to a Canadian government document, "these investigations make no commercial sense".

Later this week Revenue Canada will make preliminary determinations of dumping against imports of hot-rolled steel from six countries, including the US. The complaint affects about C$200m (£102m) of US exports out of a total of C$800m.

The US industry's complaint against Canada affects about a quarter of annual exports to the US, totalling C$1.5bn.

The Canadian producers acknowledge that they are "technically" guilty of dumping steel in the US, but they dispute some of the criteria used by Washington.

The Canadian proposals include the appointment of a high-level panel of steel-industry executives. The panel would examine reforms in the trade laws of both countries to recognise the integration of the North American steel market.

GEC Alsthom in Mexican deal

GEC Alsthom, the Anglo-French power engineering group, has won a £400m turnkey contract to build a 2 x 350MW oil-fired power station near Tuxpan in Veracruz state, Mexico. **Andrew Baxter** reports.

GEC Alsthom was selected by the Mexican Federal Electricity Commission for the job, and is project leader in a consortium which includes two of its subsidiaries. Stein Industrie will make the boilers and Mexican-based Turalmex will supply the turbine generator sets.

Asean free trade zone sputters into action

FT writers on divisions within a trading bloc

WITH less fanfare than Europe or North America, the six members of the Association of South East Asian Nations this year began to build their own free trade zone.

It was easy to see why the first steps towards the Asean free trade area, or Afta, were not exactly trumpeted abroad.

Asean countries – Singapore, Malaysia, Thailand, Indonesia, the Philippines and Brunei – regard Afta and its 320m inhabitants as a future counterweight to other international trade blocs and as a way to expose their domestic industries to healthy regional competition. But the reality is that they do most of their trade with Europe, Japan and the US and not with each other.

If entrepôt trade with Singapore is excluded, Asean countries conduct only about 5 per cent of their trade with their Asean partners.

And although the Afta ideal is progressively to reduce mutual tariffs on all goods except agricultural products to between 0 and 5 per cent within 15 years, the agreement is undermined by clauses allowing each country to exclude any industries that it wants to continue to protect.

The Asean members have announced lists of hundreds of products which they are exempting from the normal track of tariff reductions and from the fast track (for 15 categories of goods for which tariffs are due to fall to between 0 and 5 per cent within seven to 10 years).

As expected the Philippines and Indonesia have announced the most exclusions, and Singapore, which is virtually a free port already, the least.

The loose nature of the Afta agreement and the low level of intra-Asean trade mean that there is little sense of urgency about putting it into practice. An Indonesian minister, for example, said recently that it would take all of Afta's 15-year implementation period before there was a significant impact on the Indonesian economy.

Indonesia has yet to release detailed lists of products to be included or excluded from the scheduled tariff reductions and economists are sceptical about how open it intends to be. When the government announced 250 tariff cuts last July it turned out that 90 per cent of them related to different types of batik cloth, an Indonesian specialty.

Meanwhile, Malaysian-made Proton cars are likely to continue to be targeted at Britain, with no signs that they will be allowed to flood to the highly-protected Indonesian vehicle market.

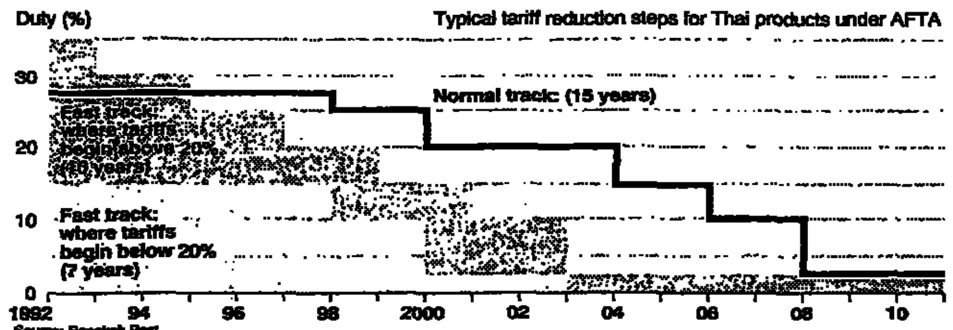
In what may be a signal of troubles to come, Mrs Rafidah Aziz, the Malaysian trade minister, says her government is pressing Indonesia, the Philippines and Thailand to start tariff cuts under Afta's Common Effective Preferential Tariff (CEPT) scheme as soon as possible.

Mrs Rafidah has warned other Asean members not to take advantage of what she calls "Malaysia's generosity". She says: "We will not allow our domestic industries to be out-competed."

Malaysia is not alone in fearing competition. The Philippines, for example, is excluding coconut oil because nearly a third of the Philippine population depends on coconut products for a living.

Thailand's petrochemical producers have pleaded with the Thai government for state financing, for cuts in the price of the gas they use as a raw material, and even for petrochemical import quotas – precisely the kind of non-tariff barriers that the Afta agreement rejects.

Steps towards AFTA



Source: Bangkok Post

The loud complaints of protected industries about the dangers of Afta are an indication that the agreement is not entirely ineffective.

It is also true that government will is helping Afta's implementation. In late December, for instance, the Philippine government said it had persuaded its textile manufacturers to include another 400 products in the tariff-reduction programme.

However, the lack of legally-binding obligations to cut tariffs may yet be the undoing of Afta. Professor Richard Lipsey, a Canadian economist, noted recently that the Asean tariff reduction scheme seemed piecemeal compared with the "one big package" agreed between the US and Canada.

The problem for the Asean countries is that they agreed on Afta in principle, and today are still negotiating the details.

Another obstacle to harmony within Afta is the lack of any provision for the free movement of labour.

Dr Mochtar Kusumaatmadja, the former Indonesian foreign minister, has raised this objection at a meeting in Kuala Lumpur last year to celebrate Asean's first 25 years.

"Singapore and Malaysia are always telling us to lower tariffs and duties and let their goods into the country," he said. "But in return, how about the free movement of labour? We will take your goods if you will take our surplus labour supply. When they hear this and think about all those Indonesians coming to work in their countries, then they say, 'wait a minute, maybe it's not such a good idea'."

With per capita income in Singapore 20 times as high as in Indonesia, the economic disparities within Asean make those within the EC pale into insignificance.

Even if Afta is fully implemented by the year 2008, it could take a few more years before Asean becomes truly a single market.

Kieran Cooke in Kuala Lumpur, **William Keeling** in Jakarta, **Jose Galang** in Manila and **Victor Mallet** in Bangkok

Benetton to open in Cuba

By Haig Simonian, recently in Havana

CUBA, one of the last bastions of hard-line communism, has opened its doors to capitalist retailing with a joint venture with Italy's Benetton clothing group.

Benetton, with a network of 7,047 stores, plans eight shops in Cuba this year. The network may be extended depending on their success.

The retailing venture is confined to popular tourist locations and sales will be in hard currencies only. It represents the first fruits of a 1991 Cuban law allowing equal participation joint ventures between state companies and outside partners.

Although there has already been some foreign investment in Cuba, notably by Spanish groups in the hotels sector, the new venture is the first of its kind in retailing.

The Benetton stores will be run by a newly-formed company set up between Cubanacan, the main government-owned tourism and commercial concern, and Connoly, a Bahamas-based company owned by Mr Enrico Garzaroli, an Italian businessman.

US and EC negotiators make a date

By Nancy Dunne in Washington

WITH A key deadline for the conclusion of the Uruguay Round fast approaching, the new top trade officials of the US and EC have set February 11 as the date for their first meeting.

Sir Leon Brittan, EC external economic affairs commissioner, had hoped to meet Mr Mickey Kantor, the US trade representative, this week. He is keen to maintain whatever momentum has been achieved before a March 2 deadline by which President Bill Clinton would have to inform the Congress a deal has been done to get congressional approval without amendment.

Sir Leon's spokesman yesterday said the meeting had been delayed to allow Mr Kantor to assemble his new team.

In the US, Sir Leon's haste is seen as a pressure tactic designed either to push a new official before he gets his "sea legs", or as an attempt to shift the blame for the Round's failure to the US. Sir Leon is accused of "overstating the areas of agreement".

Miss Barbara North, director of the coalition formed by business groups to lobby for the General Agreement on Tariffs and Trade, said Mr Kantor had had "absolutely no time" to put his staff together and study his options.

Top spirit brands see sales decline

By Philip Rawstorne

VOLUME sales of the top 100 international spirits brands declined for the second successive year in 1992 as markets worldwide were hit by the bleak economic climate. Total shipments fell 1.2 per cent from 273.5m cases to 270.2m, according to Impact International, the drinks industry monitor.

Reduced consumer spending was particularly marked in the US, UK and Japan. "While still a lucrative market, Japan is no longer the easy-growth, high-profit market it was in the late 1980s," says Impact.

Scotch whisky sales in Japan last year were between 5 per cent and 10 per cent below the 1991 level. Cognac volumes were 15 per cent down, and bourbon consumption declined 10 per cent.

However, markets elsewhere, in south-east Asia, and in southern European countries such as Spain, Greece and Portugal, remained buoyant with consumers still moving from local spirits brands to imports.

"Latin America is also emerging as the key potential growth area for the 1990s," the report says.

Grand Metropolitan, Guinness, and Allied-Lyons, the UK-based groups which own 31 of the leading 100 brands, saw total volumes down 2.1m cases.

Of the top 10 companies, owning 62 brands, only three – Pedro Domecq, Brown-Forman, and American Brands – increased volume sales.

The top three brands maintained their rankings in spite of significant volume losses. Difficult trading conditions in the US contributed to a 1.9 per cent decrease in sales of Bacardi rum, the world's best-selling spirit. Volumes dropped from 21.6m to 21.2m cases. GrandMet's Smirnoff vodka, in second place, recorded a 4.1 per cent decline to 14.2m cases.

Sales of Ricard, the French anis brand, were 1.3 per cent down at 7.4m cases in third spot.

The three leading Scotch whisky brands increased sales. Guinness's Johnnie Walker Red was 1.5 per cent ahead at 6.6m cases. GrandMet's J&B Rare, continuing to gain ground on its rival, grew 3.3 per cent to 6.2m cases. Allied's Ballantine's recorded a 1.9 per cent increase to 5.3m cases.

Bourbon sales recovered strongly from a setback in 1991. American Brands' Jim Beam grew 8 per cent to 5.2m cases; Brown-Forman's Jack Daniels achieved a 4.8 per cent increase to 4.4m cases; and the group's Early Times brand was 3.6 per cent up at 1.5m cases.

Leading cognacs suffered badly from the worldwide recession. Only Rémy Martin gained volume, up 3.9 per cent to 1.7m cases. Hennessy, the category leader, declined 2.6 per cent to 2.5m cases. Other cheaper brandies recorded generally good performances.

Among white spirits, José Cuervo tequila achieved a 2.9 per cent increase in sales to 4.3m cases. Six brands of gin recorded a combined decline of 1.1 per cent. Guinness's market leader, Gordon's, fell 1.6 per cent to 6.1m cases but Seagram's gin bucked the trend with a 2.3 per cent rise to 4.4m cases.

Clinton set to put the bite on consumption

A broadly based tax on the use of energy could be the first step, writes Michael Prowse in Washington

PRESIDENT Bill Clinton has a habit of leaving his options open until the last moment. But it appears likely that in his first economic statement due next month he will try to set a new course for US economic policy by increasing the emphasis on consumption taxes.

These currently form a much smaller proportion of total receipts than in other industrial countries.

At the weekend Mr Lloyd Bentsen, the Treasury secretary, signalled that a broad-based tax on energy was being seriously considered as a first step towards higher consumption taxes.

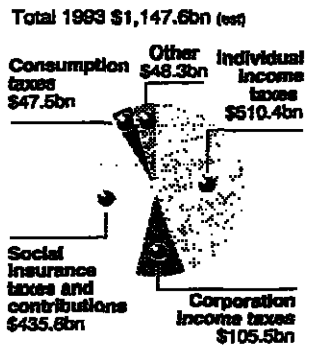
Mr Clinton, however, cautioned yesterday that no final decisions on how to trim the deficit had been made.

A broad energy tax covering fuels such as coal, natural gas and nuclear power, as well as oil, would be easier to sell politically than a higher levy on petrol alone (which has been mooted several times) because the pain would be spread more evenly.

Mr Bentsen said energy taxes were also attractive on environmental grounds,

US tax receipts

Total 1993 $1,147.6bn (est)



Source: Office of Management and Budget

because they would encourage energy conservation.

The form an energy tax would take is undecided. Vice-President Al Gore has advocated a tax based on the carbon content of fuels. But the Clinton administration seems more likely to consider a levy based on their heat content, as measured, for example, by British thermal units.

The Congressional Budget Office, an independent adviser to Congress, has estimated that a 5 per cent energy tax would raise about $18bn (£11.8bn) a year.

Mr Bentsen said a more comprehensive shift towards consumption taxes was likely in the longer term as a way of boosting incentives to save and invest.

However, complexities over the collection of consumption taxes and their potential "regressivity" – the fact that they hit the poor harder than the affluent – meant that the timing or extent of such a shift was uncertain.

A national sales or value added tax was not on the immediate agenda.

He did not, however, rule out other long-term options, such as the "consumed income" tax advocated last year by a bipartisan commission headed by Senators Sam Nunn of Georgia and Pete Domenici of New Mexico.

A consumed income tax would be collected from individuals rather than businesses and could be levied at a higher rate on the affluent. The main difference from an ordinary income tax is that it would exclude all forms of saving from tax.

The strategy now favoured is to cut the deficit by about $145bn over four years – the same absolute amount as promised in the campaign. This would reduce the prospective deficit in fiscal 1997 from about $350bn to just over $200bn.

The administration seems more likely to consider a levy based on the heat content of fuels rather than their carbon content

Other elements of President Clinton's likely economic strategy are also falling into place. He is backing away from his promise to halve the deficit in four years on the grounds that the projected deficits are $50bn-$60bn higher than when he formulated his plan last year.

Mr Bentsen also confirmed that plans for an income tax cut for middle-income families have effectively been shelved. The administration, however, will press ahead with plans to increase income taxes on the affluent – families earning $200,000 or more a year.

Mr Bentsen refused to be drawn on the size of this tax increase but most observers expect the top marginal rate to rise from 31 per cent to 36 per cent.

According to Mr Daniel Patrick Moynihan, his successor as chairman of the powerful Senate finance committee, a larger increase in top marginal rates would be counter-productive because of its impact on economic incentives.

On the spending side, Mr Bentsen said all entitlement programmes – medical care for the elderly and poor, and federal pensions – were being examined for possible savings. But he made no specific commitments to curb such programmes, which have caused the deficit to balloon in recent years.

Mr Bentsen also signalled that the administration would press head with plans for a short-term fiscal stimulus. This was prudent because the economic recovery had faltered twice in the past two years.

He refused to confirm reports that the stimulus would be only about $20bn, but said it would be much smaller than the $50bn-$60bn mentioned last year.

First Guatemalan refugees return

By Damian Fraser
In Mexico City

SOME 2,500 Guatemalan refugees, the first batch of a total of 45,000, arrived in Guatemala City over the weekend, ending more than a decade of exile in Mexico.

The refugees who fled army-backed atrocities in the early 1980s were welcomed by more than 10,000 sympathisers in the capital's central square. Mr Jorge Serrano, Guatemala's president, said their return "marked a new era in the direction the country will take".

The peaceful return of the refugees is seen as a crucial test of the government's willingness to end the country's 30-year-old civil war. But the repatriation of the remaining refugees could still be postponed, as the government has suspended its guarantee of their safety, after differences with refugee leaders.

Last week Mr Serrano presented the United Nations with a plan for "peace in 90 days" to end the civil war. The small band of left-wing rebels with whom the government is trying to make peace agreed to discuss the proposal, but insisted on an immediate ceasefire, and a 50 per cent reduction in the size of the army. Mr Serrano dismissed the rebel counter-offer.

The peace plan was partly overshadowed by publicity given to the president's visit to Stringfellows, a topless bar in New York. Mr Serrano, who is an evangelical Christian and pastor of two Protestant churches, said he only went to "take a bowl of onion soup".

Frantic weekend of telephone pleading keeps tabloid alive

New York Post in reprieve shock

By Alan Friedman
In New York

THE New York Post seemed as good as dead on Sunday, but the smallest and most sensational of the Big Apple's three leading tabloids has got a last-minute reprieve after a weekend of intrigue and frantic negotiations.

Last weekend Mr Peter Kalikow, the Post's owner, found himself facing a crisis when Bankers Trust, his chief backer, threatened to pull the plug on a $3m (£1.9m) credit line that had jumped to $6m in recent weeks.

The newspaper ran a deficit last year estimated at about $5m.

Mr Kalikow thought he had resolved his problems by arranging for Mr Leon Black, the former Drexel Burnham Lambert executive, to invest in the Post. But advisers close to the deal say Mr Black lost interest, which led Mr Kalikow to warn last Friday that the Post faced closure by the end of the weekend if no one else could be found.

A 20 per cent wage cut for the newspaper's 719 employees plus a cover price rise from 40 to 50 cents were rushed through on Sunday afternoon as a supposed alternative solution, but proved inadequate for Bankers Trust. That is when New York's big guns stepped into the fray.

It was Ms Cindy Adams, the Post's gossip columnist, who got most heavily involved in the search for a buyer. She worked the telephones throughout the weekend, ringing "my rich friends or my smart ones who know rich ones".

By late afternoon on Sunday Mr Kalikow was telling staff he feared the paper would have to shut down. But behind the scenes Ms Adams and Mr Howard Rubenstein, king of the New York public relations world, were in touch with Mr Bill Fugazy, the limousine mogul, searching for an angel. Mr Fugazy, in turn, contacted Mr Steve Hoffenberg, a little-known 48-year-old financier who owns Towers Financial, a factoring and accounts receivable business.

"Everybody who was anybody was calling everybody else on Sunday to try to save the Post," said one investment banker whose client turned down the deal. And that included Mr Mario Cuomo, governor of New York.

When Messrs Rubenstein and Fugazy could not find Mr Hoffenberg it fell to Governor Cuomo to send out a state trooper to track down the financier. The police could not find him, but Mr Vincent Tese, the state director of economic development, talked to Mr Hoffenberg.

Mr Hoffenberg eventually surfaced and a series of conference calls resulted in a last-minute agreement on Sunday night.

The deal called for Mr Hoffenberg to provide an immediate $300,000 and to guarantee the Post's $6m line of credit. In exchange he is now in pole position to spend the next four weeks deciding whether to go ahead and become the newspaper's new owner.

The reprieve could still fall apart, but that did not stop the tabloid from plastering yesterday's front page with the words "NEVER SAY DIE!"

Obituary: Thurgood Marshall

Legal champion of civil rights

ONE week ago non-commercial television in the US, commemorating the Martin Luther King national holiday, aired an absorbing dramatisation of one of the Supreme Court's landmark rulings of this century: the 1954 case known as Brown v Board of Education which, in effect, rendered segregation illegal in the nation's public schools.

The case had three heroes: Earl Warren, the new chief justice who broke down the deep divisions inside the court and brought about a unanimous verdict; Felix Frankfurter, the legendary justice who for so long agonised which way to vote; and Thurgood Marshall, the black lawyer who argued the case for fundamental change in the law.

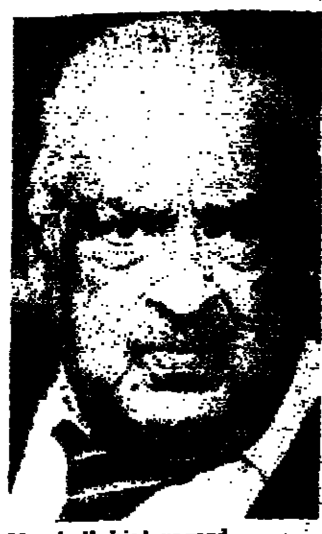
Mr Marshall, who died on Sunday at the age of 84, was then director of the legal department of the National Association for the Advancement of Colored People. He was the architect of its strategy of wringing from the courts the sort of civil rights changes that the political system was still reluctant to grant and the Brown ruling was undoubtedly his finest hour.

There were more fine hours to come. In 1961 President Kennedy made him a federal appeals court judge. In 1965 President Johnson appointed him solicitor general, the government's chief advocate before the Supreme Court. Two years later he was accorded the ultimate accolade of nomination to the Supreme Court, the first African-American ever to reach this pinnacle.

President Johnson noted that he was one of the most successful advocates ever to appear before the court, winning 29 of 32 cases – 14 as a private lawyer and 18 as solicitor general.

Mr Marshall served 24 years on the court, a staunch opponent of the death penalty and limitations on abortion, and believer in affirmative action to improve opportunity for all. He formed with now retired Justice William Brennan a trenchant and intellectually powerful liberal wing, the quality of whose written opinions was widely admired.

Under Presidents Reagan and Bush the court acquired a more conservative slant and Mr Marshall became known as "the great dissenter". Though increasingly ill, he postponed retirement until 1991 to ensure that the great civil rights legislation in which he had participated was not rolled back.



Marshall: high regard

The volume of tributes to Mr Marshall, from President Clinton to Mr William Rehnquist, the current chief justice with whom he so often disagreed, attest to the extraordinary regard in which he was held. Justice Sandra Day O'Connor, now a pivotal swing vote on the court, called him "a true American hero" who had left behind "a legacy of hope for racial equality".

Thurgood Marshall was born in Baltimore in 1908. Denied admission to the University of Maryland law school because of his race, he graduated top of his class from Howard University, the predominantly black college in Washington. He was to have administered the oath of office to Vice-President Al Gore at last Wednesday's inaugural, but ill health prevented him from attending.

Jurek Martin

UN's inspectors intensify search for Iraqi weapons

By Our Middle East Staff

TEAMS of UN inspectors yesterday stepped up their search for Iraqi weapons of mass destruction yesterday without any hindrance from local officials in Baghdad.

Iraq's co-operation with the UN will be watched closely as evidence of its commitment to the unilateral ceasefire it announced last week to mark the inauguration of President Bill Clinton.

Prof Maurizio Zifferero, who heads the nuclear inspection team, said that he hoped Iraq would provide the remaining names of foreign suppliers. "The Iraqis say they have already given us 90 per cent, he said.

"They have said they will answer questions about the other 10 per cent. We shall have to see whether this is true or not."

The ballistics missile team also resumed its weapons search concentrating on Scuds of the type fired at Saudi Arabia and Israel in the Gulf war.

Iraq has adopted a conciliatory line towards the new US administration and newspapers in Baghdad yesterday noted that cracks had appeared in the US-led coalition over recent air attacks.

One newspaper said that Iraq's initiative would encourage Mr Clinton to enter into a dialogue with Iraq, and stressed the differences between him and former President George Bush.

Meanwhile, Iraqi air defence officers, in a show reminiscent of US and allied military briefings in the Gulf war, produced maps, missile fragments and videotape to bolster their case that a Tomahawk missile had been fired deliberately at the Rashid hotel in Baghdad on January 17.

They said that a flash of light, captured on film by a western television crew, lit up the hotel just before the missile struck. They said the flash was part of the missile's guidance system and proved that it was on target.

Two Iraqi women were killed when the Tomahawk missile destroyed the lobby, shattering tonnes of concrete and steel.

● *Mr Tariq Aziz, Iraq's deputy* prime minister, said yesterday that his country seeks no confrontation with the US but is not happy with the stance of the new US administration, Reuter reports from Baghdad.

"We do not want to be in continuous confrontation with the United States of America," he said in an interview with Cable News Network (CNN) television.

Mr Aziz accused President Clinton's new defence secretary, Mr Les Aspin, of "an arrogant and belligerent response" to the Iraqi initiative of offering a unilateral ceasefire.

On Sunday, Mr Aspin told a US television interviewer that the object of US policy was to ensure that Iraq complied with the UN Security Council's ceasefire resolution, but he added: "I personally believe that also means Saddam Hussein has to go."

Mr Aziz described this as a "whimsical interpretation" of the UN resolution.

"I hope this will not be the position of the new administration," he said.

Rabin to stand by policy on deportees

By Hugh Carnegy in Jerusalem

ISRAELI Prime Minister Yitzhak Rabin yesterday dismissed suggestions that the government would privately welcome a High Court decision to overturn the mass expulsion of Palestinians to Lebanon.

The court, which is expected to rule this week on the legality of the action, has become the focus of the crisis over the December expulsions, which were unanimously condemned as illegal by the United Nations Security Council and have thrown the future of Middle East peace talks into doubt.

Opponents of the move, both inside and outside Israel, have suggested that a court ruling against the expulsions would provide the way out of the crisis for the government and for the new US administration, which is anxious to avoid disruption of the peace negotiations. Israel has sought to defer any further action against it by the UN until after the court's decision is given.

But Mr Rabin said he did not want to be overruled. "I am full of hope that the High Court will indeed approve this. I regret the voices that pretend there is supposedly a need for someone to rescue the government. The government does not need to be rescued, it needs to stick to its positions," he said.

The High Court's seven judges would no doubt be widely applauded in the international community if they did rule against the government. Such a ruling would lift the pressure for UN sanctions to enforce Security Council resolution 799 demanding the return of the deportees and meet Palestinian conditions for resuming peace talks.

But it would also be a deeply damaging blow to Mr Rabin's political prestige at home, ironically undermining his ability to make concessions in the peace negotiations. It would also be regarded in Israel as an unprecedented rebuff to the powerful military establishment which justified the expulsions on security grounds.

Civil rights lawyers arguing the case against the deportations, the largest number ever carried out at one time, say a dangerous precedent has been set of using expulsion as a collective punishment.

But there is little confidence among Palestinians that the court will reverse the expulsions. It has only ever overturned one of hundreds carried out over the years, assenting to the state's contention that the Fourth Geneva Convention ban on such expulsions does not apply in the occupied West Bank and Gaza Strip.

The court has previously insisted on the right of appeal prior to deportation. But the government argues that the right to prior appeal does not apply in the present case because the expulsions were not permanent, that they were only a "temporary removal" for up to two years.

Yesterday, in an effort to ensure the court's approval, the government said it would set up elaborate means for the 396 alleged Islamic militants still stranded in Lebanon to appeal against their banishment individually from their isolated campsite.

The attorney general promised that telephone points and mail deliveries would be provided.

John Major receives some help with his shoes on a trip to the Mahatma Gandhi memorial

Major hails investment fruits of his Indian trip

By Stefan Wagstyl and Ralph Atkins in New Delhi

BRITISH Prime Minister John Major, seeking to promote British business during a visit to India, yesterday hailed planned investments by British Gas and British Aerospace and a proposed bilateral business discussion group as the first fruits of his trip.

After a meeting with Mr P.V. Narasimha Rao, the Indian prime minister, Mr Major said both countries would benefit from greater economic co-operation. British investment in India would help India's economic reform, while export growth would lead Britain's economic recovery.

The prime minister was speaking on the eve of celebrations today to mark India's Republic Day, at which he is the chief guest. Security cover for the event was tightened yesterday following the arrest of four Sikh militants who were allegedly planning to plant a bomb in New Delhi.

Mr Major said he was "entirely content" with security arrangements. But he acknowledged that the threat of an incident may have been increased by the recent signing of an extradition treaty between the UK and India, which would ease the extradition of suspected Indian terrorists from Britain.

However, Delhi police said the level of security cover was normal for a Republic Day celebration as was the level of risk of an attack from terrorists. Mr R.S. Sahay, the additional deputy commissioner of police, who is in charge of security, said: "Terrorist groups would want to attack at a time like this [Republic Day]. John Major is no particular target." Mr Major's security cover was "the same as for any other head of state," Mr Sahay said.

The prime minister, who is accompanied by a delegation of senior British businessmen, is anxious to link the visit to commercial successes for UK companies. The two deals he cited yesterday are relatively modest. British Gas is planning to take a 35 per cent stake in a joint venture to supply natural gas to Bombay, India's biggest city. British Gas and its partners will invest £100m, spread over 10 years.

British Aerospace, the aerospace and engineering group, will take a 40 per cent stake in a software company to be set up with Hindustan Aeronautics, the Indian aerospace company. The total equity investment is Rs60m (£1.35m).

The bilateral business discussion group was announced by Mr Major after his talks with Mr Rao. It is to consist of British and Indian businessmen and will be chaired by Mr Robert Evans, chairman of British Gas. The group is to consider measures to promote two-way trade and investment and to report back to the two prime ministers at the end of the year.

Mr Howard Davies, director general of the CBI, welcomed Mr Major's help for exports. "We have been asking for more government help for exports for some time. Now we are getting it.

"The business community is very chipper. For many of them this [trip] has been a nice little earner."

Mr Major said in a speech last night that India's far-reaching economic reforms would continue to open up significant new opportunities for business and investment. At a banquet given by Mr Rao, Mr Major praised India's efforts to liberalise its economy.

He referred obliquely to the violence and political turmoil which has hit India since the destruction of the Ayodhya mosque, saying that Britain supported "the work of safeguarding the fabric of Indian life so successfully created over many years".

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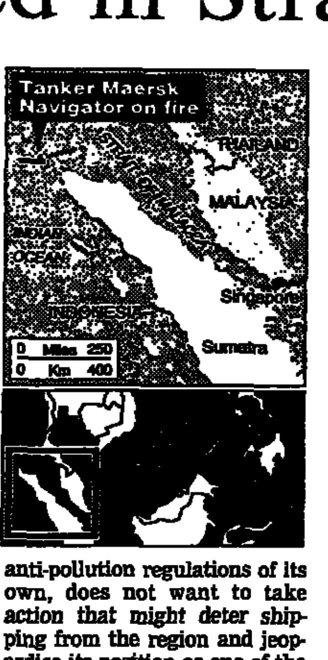
Maersk Navigator collision was the latest in a series of accidents

Malaysia's disaster warnings go unheeded in Strait of Malacca

By Kieran Cooke in Kuala Lumpur



EVERY 24 hours as many as 600 vessels, some small fishing craft, some 300,000-tonne tankers, pass through the 600-mile-long Strait of Malacca. It is one of the world's busiest shipping channels, a vital conduit of world trade.

Malaysia has been at the forefront of efforts to have the strait better policed. It has warned that sooner or later an environmental disaster will occur. Dr Mahathir Mohamad, the Malaysian prime minister, has talked of "a state of near lawlessness" in the area.

Last week's collision involving the Maersk Navigator supertanker was only the latest in a series of accidents in the strait in recent months. Last September a collision between a tanker and a container ship resulted in 13,000 tonnes of crude oil being spilled, much of it on the beaches of Malaysia. In August 10 passengers were drowned after a collision between a cruise liner and a fishing trawler off the Malaysian coast.

Attempts to improve controls in the waterway are hampered both by differences between the three adjacent states – Malaysia, Singapore and Indonesia – and by international law.

Singapore, while it has rigid anti-pollution regulations of its own, does not want to take action that might deter shipping from the region and jeopardise its position as one of the world's main shipping hubs. Singapore is now the world's largest container port.

Indonesia has scant resources to spend on any proper policing measures which would cover its waters – stretching across an area wider than the US.

Malaysia says the littoral states of the Strait of Malacca should not have to pay for pollution caused by others. Mr Abdullah Ahmad Badawi, foreign minister, addressing the United Nations General Assembly last year, said international maritime law and regulations had to be revised to take account of modern conditions and to ensure that all those using the Malacca Strait shared responsibility for pollution and safety problems.

"When such accidents occur, we have to do the cleaning up – which is a financial burden – as well as endure the sudden harm and destruction to our marine resources... this is too much for the poor littoral states to bear alone."

Malaysia has suggested that ships passing through the strait pay a levy for each journey. There have also been calls for a proper traffic separation scheme, with designated shipping lanes.

Shipowners are likely to resist any move which would impose greater costs on their operations. The Strait of Malacca is an international waterway and a levy system or traffic control scheme cannot simply be imposed by the surrounding countries.

The other very prickly problem in the area is piracy. While recorded acts of piracy in south-east Asian waters decreased last year, attacks still occur. In one recent attack pirates boarded a container ship, killing the British captain and his first mate.

In another incident some time ago pirates boarded a supertanker, tied up its crew and left it cruising, unpiloted.

While there have been efforts by Indonesia, Singapore and Malaysia to try to fight the piracy problem, these have been hampered by regional sensitivities and questions of sovereignty.

Most pirates are believed to operate from bases in Indonesia but both Singapore and Malaysia are reluctant to lay the entire blame on their powerful neighbour.

Malaysia has called an international conference next month to discuss some of these problems. "If things go on as they are there is going to be a disaster," said one Singapore-based shipping expert. "If it's not happening right now, it's just a question of time."

The Danish owners of the Maersk Navigator, the fully-laden supertanker involved in a collision at the northerly entrance to the Strait of Malacca last Thursday, said yesterday that a fire on board was being contained and that oil leakage from the vessel had been reduced, writes Kieran Cooke.

The supertanker, which was carrying nearly 2m barrels of crude oil, is being kept out at sea and towed to an area about 80 miles west of the northern tip of the Indonesian island of Sumatra and about 60 miles south of the Indian Nicobar Islands.

UN tries to fix Angola talks date

LUANDA was without mains water for a second day yesterday after rebel sabotage of the supply system left the Angolan capital of 2m with only bottled supplies, Reuter reports from Luanda.

Diplomats said United Nations peace observers were trying to bring the military commanders from the MPLA government and Unita together in Addis Ababa later this week to discuss tattered May 1991 peace accords, but nothing firm had been set. One official said Unita had been hedging on a date.

In Cape Town, South African Foreign Minister Pik Botha reported that Mr Jonas Savimbi, Unita leader, planned to send a delegation to the Ethiopian capital and was ready to sign a ceasefire.

Mr Botha said Mr Savimbi had told him in a telephone conversation yesterday morning that he was ready "to participate in the political process in Angola in a peaceful manner".

Luanda residents suffering in the summer heat washed with bottled mineral water or in the sea because of what police said was Unita sabotage on a supply system just outside the city on Sunday.

State radio said it could be a couple of weeks before water was fully restored to the city.

The radio reported relentless battles over Huambo, Unita's headquarters in the central highlands, and in southern Menongue and central Kuito. It said government forces had captured a Unita general and a South African but there was no independent confirmation.

Mr Lopo do Nascimento, Angola's minister without portfolio, said in the South African capital, Pretoria, that the Angolan war was unwinnable.

UN officials in Luanda said the Security Council was due to discuss the fighting yesterday, but officials in New York said no debate was scheduled.

Secretary-General Boutros Boutros Ghali has proposed reducing the UN presence to a minimum and withdrawing peace monitors if there are no firm steps towards peace.

The Angolan government fears a UN withdrawal will lead to more fighting. The undeclared war began in earnest earlier this month following Unita's rejection of the results of elections in September and its seizure of some 75 per cent of Angola.

Foreign Minister Venancio de Moura has flown to New York to lobby for the UN to stay. Diplomats believe the government is more willing to talk now that it is on the defensive after the loss of the second most important oil centre, Soyo, and its inability to take Huambo, despite two weeks of intense bombing.

State media reports say Unita is preparing to attack Cabinda, which produces two-thirds of Angola's 550,000 barrels per day of oil.

The US government, which supported Mr Savimbi during his 16-year civil war against the MPLA, on Sunday warned him not to touch American companies or citizens in Cabinda.

China to boost infrastructure

CHINA will open up more construction projects to foreign participation as part of its overall drive to build up the infrastructure of the country, according to the official Xinhua news agency, Reuter reports from Beijing.

Foreign businessmen, the news agency said, would be allowed to invest solely or jointly with Chinese partners in the construction of motorways, bridges and tunnels and to invest solely in the construction of private docks and waterways for cargo shipping.

Sino-foreign co-operation is now encouraged in managing berths on public docks and also in loading, unloading, storage, packaging and leasing docks and land for development.

China's inefficient transport system, according to officials and economists, is a serious drag on economic development.

Uzbekistan's president tightens his grip on the opposition

The former Soviet republic retains the closed atmosphere of the old USSR, writes Steve LeVine

WITH the political trial of Mr Abdoumanob Pulatov that resumed in the Supreme Court today, Uzbekistan President Islam Karimov is tightening a crackdown that has effectively silenced political debate in the former Soviet republic.

Mr Pulatov, a leader of the opposition movement Birlik (unity), stands accused of insulting Mr Karimov, a crime carrying a possible six-year prison sentence.

The trial is expected to conclude today.

In another important trial last week, the Supreme Court outlawed Birlik for three months. The crime was "intent" to organise public demonstrations, which are banned in Uzbekistan. The ban against Birlik, coming after months of arrests, disappearances and beatings, leaves Uzbekistan's chief opposition party moribund.

Last Tuesday a member of Birlik's ruling presidium, Mr Alim Karimov, who is not related to the president, was spirited away by unidentified men and has not been heard from since.

President Karimov: crackdown has silenced political debate

Another critic, Islamic Renaissance party leader Abdullah Utah, disappeared last month.

"The living standard is so bad now that they are afraid of a social explosion. That's why they want to eliminate all organised opposition," said Mr Shukhrat Ismatulayev, Birlik's co-chairman.

It is true that life has become tougher for Uzbekistan's 20m people since the Soviet Union collapsed over a year ago. The price of some basic items has risen 100-fold, while monthly wages have gone up only six-fold, to about 3,000 roubles (about £4.40).

But the tight grip maintained in Uzbekistan and throughout former Soviet Central Asia probably has more to do with inherent conservatism than with fears of a social explosion.

More so than any of the 15 former Soviet republics, the five Central Asian republics retain the closed, inflexible atmosphere of the former USSR. Kazakhstan, Turkmenistan and Kyrgyzstan maintain different shades of political and economic rigidity, with a new, hardline government having recently taken power in Tajikistan.

But resource-rich Uzbekistan is the least changed from the Soviet period. President Karimov tries to keep matters under his sole control, through a combination of political repression and, despite public statements to the contrary, an almost obstructionist approach to foreign investors.

Foreign businessmen grouse constantly about the problems of obtaining decisions.

Mr Karimov insists on oversight of the tiniest details, which sometimes include even the design of luncheon invitations.

They also say that investment policy, though seeming liberal as written into law, is still vague. But it is Mr Karimov's political crackdown that has recently attracted the greatest attention recently.

In its yearly human rights report, issued last week, the US State Department said Uzbekistan was "responsible for significant human rights abuses".

"The regime's heavy-handed control of the political process... was a major impediment to further progress and left in doubt its commitment to democratisation," the State Department said.

The report also said, "despite government denials, the frequency of assault on opposition political figures, with the assailants never being apprehended, suggested government involvement".

Mr Pulatov, Birlik's human rights committee leader, was abducted by the Uzbekistan KGB at a human rights convention in neighbouring Kyrgyzstan last month.

The government accuses Mr Pulatov of defaming President Karimov during a demonstration at Tashkent State University last January in which three students were killed.

According to the government case, Mr Pulatov gave a student a placard containing Mr Karimov's photograph and told him to carry it in the demonstrations. Underneath the photograph was the caption: "Here is a beast that devours its own children."

But in the first three days of testimony last week, the three government witnesses – all of them students – offered contradictory accounts.

One student testified that he had no idea whose placard it was.

A second said Mr Pulatov was part of a large group of students, all of whom handled the placard. Only the third, Mr Jalol Gadayev, testified that he saw Mr Pulatov himself produce the placard for the student to carry.

Ramos ends telecoms monopoly

PRESIDENT Fidel Ramos yesterday confirmed he had ordered the end of a monopoly by the Philippine Long Distance Telephone Co (PLDT) by authorising competitors to operate in the country, Reuter reports from Manila.

He said he had made the order after learning that in Manila alone about 600,000 telephone applications had been pending for years.

Ms Josefina Lichauco, undersecretary of the Department of Transportation and Communications, said recently she remained determined to break up the telephone monopoly by allowing interconnection of services.

PLDT accounts for 94 per cent of the Philippines' telephone industry.

Companies wanting to compete have found it difficult to operate because of the high cost of laying down their own networks and PLDT's resistance to interconnection.

Sluggish lending casts doubt over economy

By Emma Tucker, Economics Staff

A WEAK rise in bank and building society lending last month suggests that the lowest UK base rates for 16 years have done little to entice companies and consumers to take on new borrowing.

Weak M4 lending, and the prospect of further heavy job cuts in some sectors, yesterday cast new doubt on the strength of the economy.

But reports of improved optimism among businesses, further signs of a slight upturn in the housing market and buoyant growth of cash in circulation, indicated some sort of recovery may be underway.

Yesterday's mixed signals on the UK economy will not make it any easier for Mr Norman Lamont, the chancellor, to decide whether to cut base rates below 7 per cent ahead of the Budget on March 16.

Bank of England figures showed that M4 lending rose by £0.2bn last month, an improvement on the November figure when lending fell by £0.6bn, but significantly less than economists' expectations.

Further signs of a slight upturn in the British housing market emerged yesterday in figures from the Building Societies Association showing a rise in the number of people committing themselves to taking out new home loans in December.

The number of net new commitments – when a borrower accepts an offer of a mortgage advance – rose to £1.987bn in December from £1.849bn in November. Gross mortgage lending increased to £2.242bn for the month, up from £2.087bn in November.

The annual growth rate of M4 – notes and coins in circulation plus bank and building society deposits – was similarly sluggish. It hit a record low and dropped through the bottom limit of the government's recently announced monitor range of 4-8 per cent.

M4 fell a seasonally adjusted 0.1 per cent on the month, to rise by 3.7 per cent in the year to December. This compares with 4.6 per cent in the year to November.

By contrast narrow money, mainly notes and coins in circulation rose by 0.2 per cent in December, taking the seasonally adjusted annual growth rate to 3 per cent.

Mr Michael Saunders, an economist at the US investment bank Salomon Brothers, said the discrepancy between the two sets of figures could be explained by debt overhang.

"M0 captures those areas of the economy where debt is not a problem, while M4 and M4 lending capture the fragility of those areas of the economy, such as housing and business investment, that rely on expanding credit," he said.

Figures from the British Bankers Association yesterday confirmed the sluggish nature of lending. These showed total sterling lending by the 9 biggest UK banking groups to the UK private sector fell by over £1.7bn in December, the second fall within four months.

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Jobless total could reach 500,000 during 1993, says Building Employers Federation

Construction industry fears 50,000 job cuts

By Andrew Taylor, Construction Correspondent

A FURTHER 50,000 jobs are expected to be axed by the construction industry this year taking the number of jobs lost to half a million since 1989, according to a survey published yesterday.

Sir Brian Hill, president of the Building Employers Confederation, said the industry had lost the equivalent of almost 600 jobs every working day, since summer 1989.

The confederation questioned more than 500 building companies about the outlook for output and employment during the next 12 months. Just under half of those questioned said they expected to announce more job losses by end of March.

Almost a fifth of companies report they were working at less than half capacity.

Sir Brian said the findings of the confederation's latest quarterly workload survey showed that the industry remained in deep recession despite one or two brighter signs.

These included a rise in the number of visitors to houses for sale. More than a quarter of companies has also recorded an increase in inquiries for work from potential customers compared with with 21 per cent of reporting a fall. It was the first positive balance in inquiries since the second quarter of 1989, said the confederation.

The rise in inquiries and visitors still had to be translated into sales. As a result the industry was forecasting a further fall in output of 2 per cent this year, following declines of 6 per cent last year and 9 per cent in 1991.

"Whatever is happening in other sectors of industry, it is clear from these results that construction remains in serious recession," said Sir Brian.

"The key indicators of output and employment are still pointing firmly downwards and we have to face the appalling prospect that the construction jobless total will reach the half a million mark during 1993," Sir Brian said.

This would mean that the industry's labour force would have been cut by 30 per cent since summer 1989. More than 20,000 construction companies had failed during the period, half of them in last 12 months.

The confederation urged the chancellor to help construction by cutting interest rates reducing VAT for house improvements and abolishing stamp duty in the March budget.

It also wants the government to extend the period for which it will allow 20 per cent capital allowances on industrial and agricultural buildings ordered before October 31 this year.

Weak demand for cars undermines motor trade

By John Griffiths

THE UK motor trade and industry could lose up to 50,000 more jobs in the 12 months to the middle of this year, bringing the total number to nearly 200,000 since the new car market crashed in 1990, an important motor body warned yesterday.

The tentative recovery being seen in car and commercial vehicle markets will peter out if the government raises taxes and does not cut interest rates, the Retail Motor Industry Federation said in a pre-Budget submission to the Treasury.

The RMI, representing 12,000 dealers and other motor trade businesses, said it was dismayed by what it sees as the uncertainty injected into recovery hopes by the actions of the Treasury department, through "its continuous media soundings about the acceptability of some tax increase options".

Mr David Gent, the RMI's director-general, protested that "encouraging pre-Budget speculation about tax changes is never a sensible way of conducting economic policy.

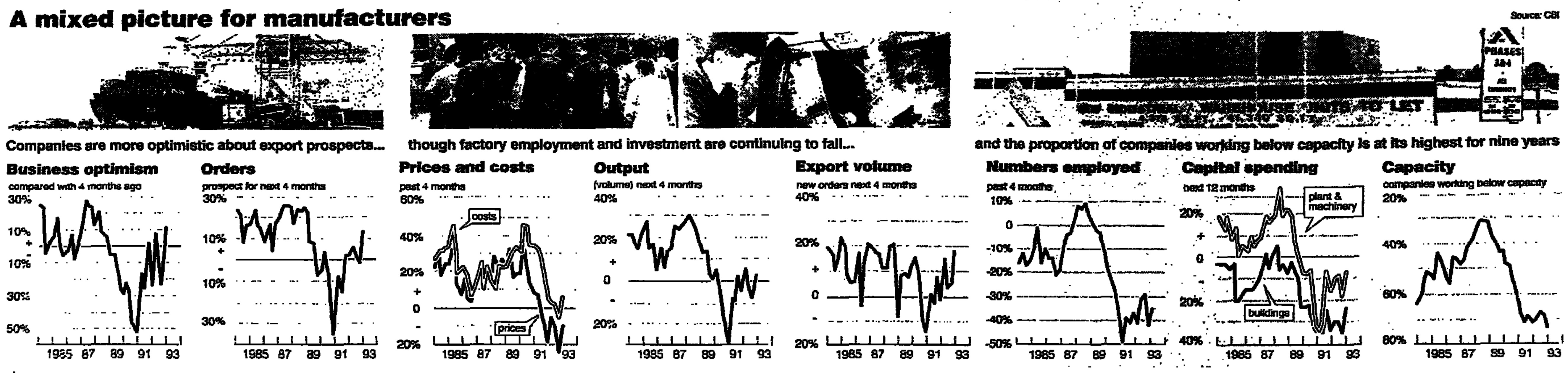
"In the present circumstances of continuing recession with as yet only some, though encouraging signs of possible recovery, to allow the process at all is utter stupidity. It has to stop and we ask the prime minister and chancellor to see that it is stopped today".

Mr Neil Marshall, the RMI's director of economic affairs, said the government had already lost £3bn in taxation revenue arising from the slump in car sales since 1989. Last year, only 1.594m new cars were sold, about 700,000 fewer than the record 2.3m of 1989.

Mr Marshall said sales could recover by 5 per cent to 1.67m this year. "However, to achieve this modest target it would be necessary for the chancellor to avoid tax increases, to stimulate confidence and to cut interest rates – we believe that a further cut of 1.5 per cent is feasible".

The RMI – which says the motor business is the biggest single contributor to tax revenues, totalling £20bn last year – said 7-8 per cent of the UK's remaining 7,000 franchised motor dealers would close or be sold off this year. Last year 8 per cent closed or were sold off, following 10 per cent in 1991.

A mixed picture for manufacturers



MANUFACTURING orders are continuing to fall, although at the lowest rate for 2½ years, according to a report published yesterday by the Confederation of British Industry, writes Peter Marsh and Ralph Atkins

Confidence about the business outlook has increased over the past four months, even though factory investment is still declining.

The proportion of companies operating below capacity is 73 per cent, the lowest figure recorded in the CBI's quarterly industrial trends survey since January 1983.

Sir David Lees, chairman of the CBI's economics committee who is also chairman and chief executive of engineering group GKN, said the mood in industry was "more positive". Even so, there was no guarantee that the recession was ending.

He said that several times during the recession – notably in October 1991 and April last year – rising business optimism had ended in a false dawn.

Mr John Major, heading a delegation of UK businessmen in India, said the rise in confidence was "dramatic" and that export growth would lead Britain out of recession. The prime minister said "one missing ingredient" needed to end the recession had been stronger confidence in business.

More than 1,100 companies answered questions in the survey. It was conducted between December 21 and January 11.

In the past four months, 35 per cent of manufacturers said new orders were down compared with the previous four months, allowing for seasonal variations. Just 22 per cent reported an increase in orders, giving a negative balance of 13 percentage points. That compared with a negative balance of 28 points in the previous survey in October.

Manufacturers are more hopeful about orders over the next four months, with a difference of 13 points between companies expecting orders to climb and those anticipating a fall.

Even though optimism about export prospects has changed little since October, the balance of companies expecting increased export orders over the next four months comes out at a relatively healthy 18 points.

The increased confidence among manufacturers about exports sparked by September's sterling devaluation has been only feebly translated into actual orders. A balance of 11 per cent of companies said export orders over the past four months had declined, compared with the previous four months. That result was only slightly more encouraging than the reading in October of a negative balance of 19 points.

More companies expect to reduce their spending on buildings and machinery over the next 12 months compared with those which think they will increase it. However the negative balance is lower than in October. The CBI expects total manufacturing investment in mid-1993 to be nearly 40 per cent below its peak in mid-1989.

Unit costs have increased only slightly since the last survey while the CBI says the squeeze on profit margins has remained tight.

Deutsche Bank aims to become UK clearer

By Robert Peston, Banking Editor

DEUTSCHE Bank, the big German bank, has applied to become a UK clearing bank by joining CHAPS, the electronic system for clearing and settling high value bank payments.

If Deutsche is successful – and bankers said yesterday it was likely to be – it would become the first continental bank to have a clearing account at the Bank of England. Banks' debts and credits to each other obtained through CHAPS transactions are cleared at the end of each working day at the Bank of England.

It also emerged yesterday that another half dozen continental banks, including Credit Lyonnais, France's biggest bank, have made approaches to CHAPS with a view to possibly becoming clearers in London. A banker said two or three of these would probably become members.

Overseas banks have traditionally done their sterling clearing by using UK banks, such as Barclays or National Westminster, as their agents. They have had the right to join CHAPS for several years, but only Citibank of the US has exercised it.

Deutsche Bank's move appears to represent a vote of confidence in the future of London as a financial centre. Bankers said this was encouraging given that doubts had been expressed about the City of London's ability to remain the leading European financial centre following sterling's withdrawal last year from the Exchange Rate Mechanism and the government's lukewarm attitude to monetary union.

Deutsche's application to join CHAPS must be approved by the Bank of England and the Association for Payment Clearing Services, which groups all banks which clear sterling transactions.

BA and Virgin try to improve relations

By Paul Betts, Aerospace Correspondent

BRITISH Airways and Virgin Atlantic last night took a significant step towards ending their bitter "dirty tricks" row and improving the badly dented relationship between the two UK airlines.

A one and a half hour meeting between Sir Colin Marshall, BA's chief executive, and Mr Richard Branson, the Virgin chairman, was described by the two men as "a very good first step".

But both sides refused to disclose details of their talks which centred on Virgin's demands for compensation for the serious financial and commercial damage it claims to have suffered as a result of BA's covert activities.

Further meetings will be held between executives from both airlines "to resolve outstanding differences" over the next few weeks.

However, the two sides appear increasingly anxious to prevent any further escalation in the long running dispute which centres on BA's earlier attempts to undermine its smaller rival.

Although Mr Branson appears to have had the upper hand throughout the dispute, neither side believes it can risk prolonging what could become a lengthy and damaging feud for both airlines.

BA is in the throes of establishing a partnership with USAir, the sixth largest US carrier, which could be destablised by any further legal action taken by Mr Branson. BA is also keen to restore its international reputation at a time when it is pursuing its ambition to become a global airline.

Mr Branson believes the affair has already taken up too much time, money and resources of his airline. Any US anti trust suit against BA would prove a lengthy and costly affair without any guarantee of Virgin's success.

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MPs report calls for coal subsidy

THE All-party report on the coal industry will call for a £5 a tonne subsidy to British Coal as the centrepiece of a plan to reprieve up to 20 of the 31 pits under threat of closure, writes Ivo Dawnay and Michael Smith.

The subsidy will allow an additional 20m tonnes to be produced over and above a planned output of 40m tonnes for two to three years.

In total the cost for 60m tonnes will amount to £300m a year, though this will fall as the pits become more productive and competitive in world market. The Commons' trade and industry committee suggests that between 18 and 20 could avoid shutdown at least in the short term.

The report will influence Mr Michael Heseltine, the trade and industry secretary, as he prepares his own solution to the controversy over the coal industry which erupted with the announcement of the pit closures last October.

Hoover unveils tough deal at Glasgow plant

By Robert Taylor, Labour Correspondent

HOOVER, the American domestic appliance group, yesterday revealed details of the sweeping union deal struck at its plant near Glasgow which it believes can turn its loss-making European operations back into profit.

The radical agreement, formally announced yesterday between the company and the Amalgamated Union of Electrical and Engineering Workers (AEEU) at its 1,000 strong Cambuslang vacuum cleaner production plant, is designed to make it one of the most cost effective in Europe. The changes will double annual output to around 1.8m units.

The company confirmed yesterday 400 new jobs will be created at the plant. This will mean the closure of production facilities at the company's Dijon plant in France with the loss of 600 jobs and the transfer of work to Cambuslang.

Mr Bill Froust, the company's European president said the Cambuslang agreement safeguarded the plant's future and was designed to improve the company's operating costs.

He added that the company's decision to concentrate vacuum cleaner production all at Cambuslang was because total manufacturing costs are 25 per cent less there than at the Dijon plant.

The 31 clause agreement is far-reaching in its assertion of managerial authority, although Hoover accepts continuing union recognition at the plant. It requires worker flexibility with the elimination of all restrictive practices and local union agreements.

Employees will work as directed by the supervisors and a new common job description will be introduced. Union activity is to be reduced and there will be less scope for industrial action.

Pay rates will be frozen until January 1994 and the current premium shift rate is to be cut by 23 per cent to 133 per cent.

Prime minister enjoys a passage to India

Mr Major has used the trip to forge links with executives, writes Ralph Atkins

A CONTINENT or two away from home, a million miles from balance of payments or unemployment figures, Mr John Major, Britain's prime minister, has found it is possible to make converts to his style.

"I thought until the weekend – like the average voter – that Major was 'grey.' But we're terribly impressed," said the director from one of the UK's larger companies as he circulated the marquee at the High Commissioner's residence in Delhi.

Maybe it was a sign of how neglected UK industrialists have felt, that just by *listening* to the business delegation accompanying him, the prime minister won friends.

"The French and the Germans are so able here that we had to do something," said the same director who heaped praise on Mr Major – perhaps, by his comments, betraying a touch of fatalism.

Mr Major regards the trip as experimental, a first dip into exploring relations between industry and government – "I expect that it will set the pattern for some, not all, of my trips in the future," he told journalists.

It is about micro-economics, not macro policy. At a cocktail party hosted by Mr Major on the eight-hour flight from Heathrow, he heard of individual problems with India's cumbersome labour laws, import tariffs and the issue of repatriation of profits.

"People close to him have been asking: 'Is there anything we can do? Is there anything the prime minister can do to help British business?'" said Mr Robert Evans, chairman of British Gas yesterday.

The flight was intimate and chummy. The 13 invited businessmen included chairmen and executives from British Gas, Rolls Royce, National Power and ICI – others joined the trip in Delhi. They spread themselves around the first class lounge of the 747 jumbo jet. Personal assistants, aides or even fellow board-members had to take separate flights.

"When I chatted to John Major on the plane, he was asking detailed questions about what our priorities were," said Mr Douglas Gadd, chairman of GEC Alsthom, the manufacturing group which is looking for a deal in the electricity transmission industry. "His presence has certainly opened doors that wouldn't otherwise have been opened."

That extra access has been easy to see. The business delegation met eight of India's most senior civil servants for tea on Sunday afternoon. Yesterday they met ministers for commerce, defence, economics, industrial development, power and home affairs before reporting to a session headed by Mr Major and Mr P V Narismha Rao, the Indian prime minister.

India made clear its priorities were investment in infrastructure – matching the Department of Trade and Industry's focus on energy, telecommunications and heavy manufacturing, as well as the banks needed to arrange financing. Beneath the expression of public support, however, many of the businessmen were not prepared to admit that overseas trips could be anything but an adjunct to the central thrust of economic policy.

Lower UK interest rates and extra money for Export Credit Guarantees remain prime concerns – particularly for Mr Howard Davies, director general of the Confederation of British Industry, who has balanced his enthusiasm for the trip with barbed jokes about government policy. He told Mr Major that industry wanted to see government officials more receptive to industry in the UK – and not just in India.

The Whitehall public relations machine has worked hard against Indian bureaucracy – or maybe genuine reluctance by the country's government and businessmen – to set up a handy series of announcements to help ease criticism of the trip by Mr Major's political opponents in the UK. Not until long after Mr Major has returned to domestic politics will the trip's real value, in terms of export and investment orders won, be revealed.

Britain in brief

Workplace accidents 'cost £15bn'

Workplace accidents and ill-health cost Britain £10bn-£15bn a year, with employers bearing £4bn-£9bn of the expense, according to an investigation due to be published in the spring by the Health and Safety Executive.

There is evidence that employers are seriously underestimating the true cost of accidents and wrongly assuming they will be fully covered by insurance, Mr John Rimington, HSE Director General, said.

"Boards of directors need to take full and proper account of what these events are actually costing them," he says. The estimates are the first attempt to put a realistic price-tag on occupational injuries and ill-health since the discovery in 1991 that official figures were seriously flawed.

Cover urged for UK exporters

UK exporters will suffer a "substantial competitive disadvantage," and face the danger of export credit cover drying up for political risks, unless the government rejoins other European states in providing reinsurance of political risks, warns Trade Indemnity, the UK credit insurance group.

TI is calling on government to work in partnership with private insurers to provide reinsurance cover at commercial rates.

It calls for this cover to be extended to *all* private sector insurers able to work in the field – this call is seen as a swipe at the competitive advantage of NCM Credit Insurance, its main UK competitor, which as part of a privatisation deal two years ago was granted transitional access to reinsurance cover in spite of the UK government's withdrawal from short term export credit insurance.

British Gas in new row

Sir James McKinnon, the director general of gas supply, has asked British Gas to justify what he termed "apparently arbitrary cuts" in capital spending, triggering a fresh row between himself and the company.

Evidence of an investment cutback was presented to Sir James at a meeting with the Society of British Gas Industries whose members are British Gas' main suppliers. They claimed that British Gas had made an arbitrary cut of 10 per cent in all its investment plans four to five months ago.

Sir James said "claims by British Gas that it can no longer afford essential investment are nonsense."

Mr Norman Blacker, managing director of gas business, said: "We are disappointed that once again the regulator has gone public with views on the company without first discussing the issue with us."

Higher lottery sales forecast

The amount of money the planned National Lottery could raise has been seriously underestimated, according to Opax International, the security printing group, which supplies tickets for 40 state lotteries around the world.

It says suggestions that ticket sales could be £1.5bn a year in the UK are much too low – sales could exceed £3bn and continue to climb "with the right product mix."

Touche Ross sheds jobs

Touche Ross, the UK's sixth largest accountancy firm, is to shed about 20 partners at the end of its financial year in mid April.

The action is believed to have been partly driven by the economic pressures on the firm, in line with that on most of the country's accountants during the recession.

Keep the scissors out

UK Prime Minister John Major is stepping up his campaign to reduce red tape with the announcement of a cabinet seminar next week, to force ministers to produce plans for action. But as the company featured here illustrates, well-intentioned bureaucrats have planted a fearsome thicket of regulation around business.

The Growing Business Page will highlight over the next few months businesses entrapped by red tape. It will award a bottle of Laurent-Perrier pink champagne to each one featured.

The owner-managers of independent businesses are invited to describe their experiences – on no more than *two sides of A4 please.* Letters should be addressed to Charles Batchelor, Growing Business Correspondent, Financial Times, Number One, Southwark Bridge, London SE1 9HL.

Cutting red tape

AFTER 22 years in business, Bud Ellis, managing director of Flexi-pak – a manufacturer of individual portions of jams and sauces – decided to take out liability insurance for himself and his two fellow directors. The growing weight of legislation affecting companies, particularly those in the food sector, and the penalties attached, persuaded Ellis, reluctantly, to act. He is now resigned to paying an annual premium of £2,625 to cover himself, his wife Ann, and sales director James Puttick.

"I came back after Christmas and decided that we had to bite the bullet," says Ellis. "We are very insurance-minded but this was a chink in our armour. We will have to sell a lot of extra sauce and jam to cover the extra overhead." Taken in isolation, an insurance premium of £2,500 is not a large sum even for a company the size of Flexi-pak. The New Milton, Hampshire-based business has sales of £1.3m and employs 12 people, including the three directors. But it comes on top of a growing raft of other burdens which absorb time and money.

New waste control legislation (designed to reduce fly-tipping), which came into effect last April, means Ellis has had to fill in a form from the company which removes his refuse describing what sort of waste his company produces.

This legislation simply involved Ellis in filling in a few boxes on a form, but the Control of Substances Hazardous to Health legislation has involved much more work. Ann Ellis, who deals with most of the red tape, says the directors had assumed COSHH applied only to the products they package.

But while she was talking to the environmental health officer about another matter the conversation turned to COSHH. "He picked up a bottle of Tipp-Ex corrector fluid and said that if we used it we were covered by the legislation." This has led to Ann Ellis compiling a list of 35 potentially harmful products, their contents, application, manufacturer's reference number and possible effects.

The products involved include a spray glue, marker pens, Jif cleaner, Brillo pads, disinfectants, de-icer, paints and methylated spirits. In some instances Ellis had to write to the manufacturer to obtain the information needed for her files. "This is an insult to our intelligence," says Bud Ellis.

The Food Safety Act, which came into force in January 1991, does apply to the products Flexi-pak makes. To comply the company has drawn up a detailed product specification and a description of the procedures the company follows to maintain food hygiene. The Worcester Sauce entry runs to three pages. "We have spent hours on this," says Bud Ellis. "Customers we have dealt with for years have been on to us for extra information. I am not saying we should not do this but it all leads to extra work."

Extra work – and cost – are also involved in the Electricity at Work regulations. This requires businesses to maintain electrical equipment and wiring in a safe condition.

Ellis has asked his electrician to produce a register of electrical equipment and to carry out annual inspections. But he is not convinced of the need. "We have had no problems with our electrical equipment in 22 years," he says.

Ann Ellis's bulging files have recently been joined by a packet of leaflets on the changes to the VAT rules brought about by the creation of the single European market. Under the rules Flexi-pak will be responsible for collating its own VAT data and filing trade information to Customs & Excise.

Bud Ellis: 'Government is pillorying responsible people instead of getting to grips with the real criminals'

Because the company imports more than £135,000 in goods, it will be required to fill out a more detailed monthly form.

Administering the VAT system has already caught the company out once. The company reclaimed VAT twice on the same invoice of nearly £4,000. This error happened when it was moving its records from one computer to another but was picked up during a VAT audit 18 months later. Last July Customs imposed a serious misdeclaration penalty which, with interest charges, amounted to £1,000.

Bud Ellis says the double claim was a genuine mistake, the first significant VAT error the company had made, and feels Customs' response labelled him and his fellow directors criminals. Resentment of the serious misdeclaration penalty is widespread and pressure from business has led to a reduction in the severity of penalties and review of its workings.

The continual accretion of new legislation and the growing number of laws which can lead to directors facing criminal charges is a source of considerable concern to many small businesses. "Government is pillorying responsible people instead of getting to grips with the real criminals," comments Bud Ellis. "We are the soft touch."

● The Health & Safety Executive said that products covered by the COSSH regulations could be dangerous in certain situations. Solvents used to make, for example, corrector fluid, are also used in adhesives. In sufficient quantity in enclosed areas, these have led to deaths.

A previous article in the series appeared on December 15.

Staying one step ahead of the pack

Charles Batchelor looks at tips on how to handle the sale of your company

Once the economy starts to come out of recession there will be owners of private businesses whose thoughts turn to selling their company. Acquisitions of private companies are expected to increase in 1993, according to one recent survey.

But if you are contemplating the sale of your business you must adopt a professional approach, warns Geoffrey Dalton in What is Your Business Worth?*

You will probably only sell one business in your life so you will not have the opportunity to refine your sales techniques. The skills you learned in, for example, marketing heating systems are unlikely to be of any help, he notes.

Yet there is a good chance you will be up against a professional buyer or buying team. Many public companies have assembled formidable merger and acquisition teams who have probably bought six businesses already in the past year.

"Their pace, systematic approach, assurance, presentation and, indeed, bonhomie are awe-inspiring," writes Dalton. "For them this is just another day and just another deal. For you, in contrast, it is an emotional parting of the ways."

The buyer's approach may start with an offer which you cannot sensibly refuse. You will be encouraged to think of how you might spend the money and urged to sit back while he does all the hard work.

Once you are hooked the would-be buyer will ask for additional information – on markets, pricing, costings, products. It will obviously be necessary for the buyer's team to meet your key employees and before you know where you are your whole team is dedicated to producing reams of information, all of which must be checked and cross-checked.

Soon you start to accept the fact that the sale is all but sewn up. Your employees begin to realign their loyalties and imagine their vastly enhanced career prospects under the new owner.

At this point, when everyone is aboard, the squeeze starts. The buying team discover, to their surprise, that there is more slow-moving stock then they first thought, there are doubtful debts and they will need to invest more capital than originally envisaged.

You begin to convince yourself that they are doing you a favour by taking the company off your hands. It is logical, therefore, in deference to their own shareholders, that they cannot continue with their original offer.

Sources of advice

(percentages)

Adviser	Selling method	Negotiating the deal
Accountant	26	5
Banker	5	-
Lawyer	-	-
Estate agent	5	5
Chartered surveyor	-	5
Franchisors	-	5
Business broker	-	5
No one	64	75

Source: Imperial College Management School, London

At this point you are exhausted, your staff's loyalties are divided, your sales drive has faltered because everyone has been busy with the negotiations. Legal and accountancy fees are mounting.

How did this happen? You realise you were so dazzled with the initial offer that you did not approach other potential buyers or challenge the original bidder's assumptions. You allowed it to become a one-horse race.

The scenario may appear exaggerated but this type of conduct is not at all unusual, says Dalton. To avoid it arising the business owner must decide their own objectives and priorities.

They must establish a target price and an acceptable minimum price; decide the form and timing of the payment; consider whether they are willing to remain involved in the business after the sale; and decide which assets are to be included in the sale.

Most owners of a private company have only a very hazy idea of what it is worth, often based on golf club locker room gossip or comparisons with the prices achieved by completely dissimilar businesses sold in a very different economic climate.

Obtaining a realistic valuation will not only help the owner to be prepared for a bid approach but will show whether the business is making an acceptable return. One family-owned business run by a delegated management team was paying a dividend of £40,000 a year, a fraction of the £300,000-£400,000 the shareholders could have earned from a similar investment in government securities, Dalton notes.

Ultimately, the value of your company depends on what a buyer is willing to pay. A "jigsaw buyer" who is assembling a national network and needs your business to complete the picture, is likely to offer the best price. But you cannot value your business on this basis. You will have to calculate your value to a predictable buyer.

If you are considering selling your company you may need to make changes well in advance. If the business is too dependent on your daily presence it may have little value to another owner once you have sold out. You may need to delegate more to managers and offer them equity.

You may also need to reduce the amounts you take out of the business to enable investments and improvements to be made with the increased retained profits. If your accounting procedures have been designed to minimise profits you may need to adjust them. You will need to do this well in advance. A sudden adjustment which shows a sharp uplift in value will make buyers suspicious.

Where do you turn for advice on valuations and on handling a sale? Dalton, a specialist in the purchase and sale of unquoted companies, is not surprisingly sceptical of the skills of non-experts. Among these he includes the smaller accountancy firms, the family solicitor and the bank manager. Unless they handle a large number of deals, they will not have the specialist skills required and may well learn at your expense, he warns.

A survey by the Imperial College Management School in London showed that most vendors do not use any outside adviser and while accountants are the most common source of help even the large firms handle relatively few deals each. This lively guide meets a clear need.

Kogan Page, 120 Pentonville Road, London N1 9JN. 178 pages. £12.95.

BUSINESSES FOR SALE

HOW MANY OPPORTUNITIES DO YOU HAVE TO BUY INTO THE GOVERNMENT BUILDING MAINTENANCE SECTOR?

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The proposed sale of the five PSA Building Management Businesses offers purchasers an opportunity to acquire a significant share of the market for managing property and buildings on behalf of the UK Government. All of the businesses offer a comprehensive range of building consultancy and management services to the public and private sectors.

Key features include:

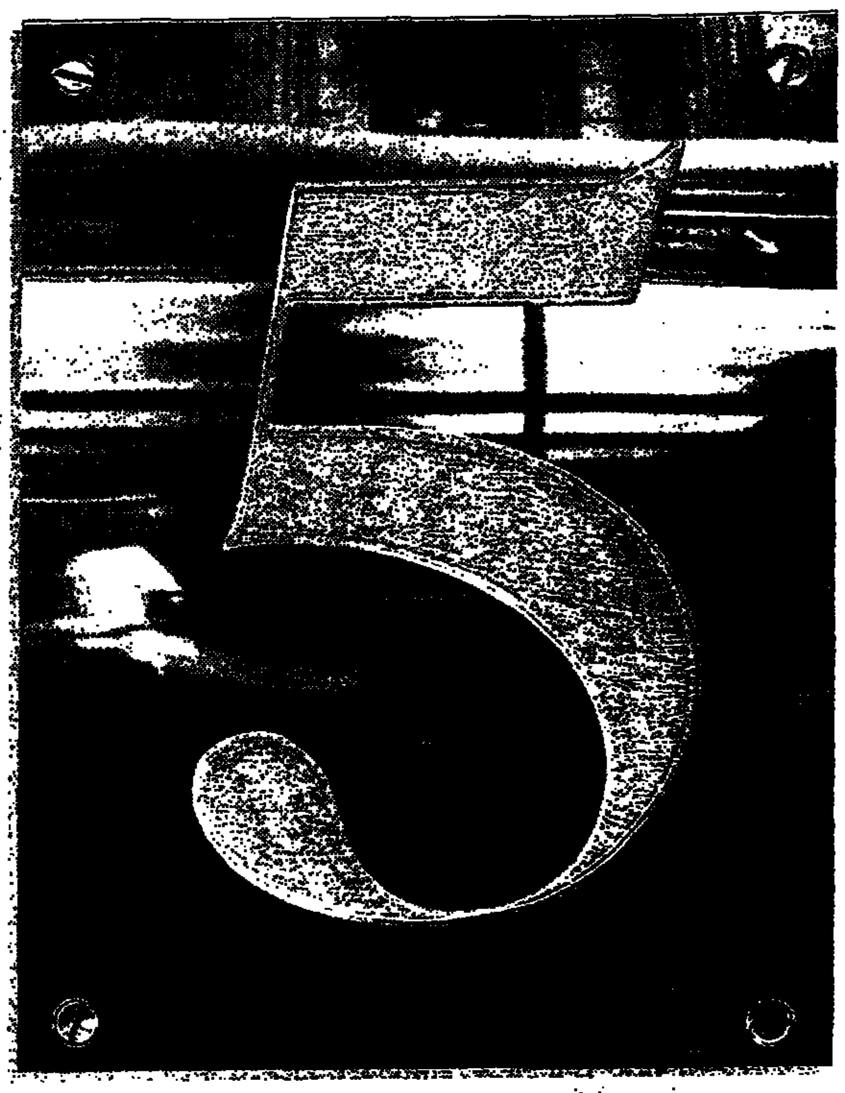
- a significant and established customer base within the MOD and other Government Departments and an in-depth knowledge of their building management requirements and procurement procedures;
- a range of complementary services that is not known to be available in-house from a single private sector organisation; and
- substantial future contracted workload, based on contracts of up to 5 years in length.

BM Manchester

- projected income of approximately £59 million for the current financial year
- projected staff numbers of 1,550 as at 31 March 1993, of whom some 600 are professionally or technically qualified and 400 are skilled craftsmen.

Noreast

- projected income of approximately £53 million for the current financial year
- projected staff numbers of 1,360 as at 31 March 1993, of whom some 580 are professionally or technically qualified and 215 are skilled craftsmen.



BM Scotland

- projected income of approximately £32 million for the current financial year
- projected staff numbers of 930 as at 31 March 1993, of whom some 300 are professionally or technically qualified and 240 are skilled craftsmen.

BM South East

- projected income of approximately £78 million for the current financial year
- projected staff numbers of 1,660 as at 31 March 1993, of whom some 600 are professionally or technically qualified and 200 are skilled craftsmen.

BM South & West

- projected income of approximately £89 million for the current financial year
- projected staff numbers of 1,650 as at 31 March 1993, of whom some 800 are professionally or technically qualified and 300 are skilled craftsmen.

For further details, contact Andrew Jordan, Coopers & Lybrand, 1 Embankment Place, London WC2N 6NN.
Telephone No: 071 213 1107, Facsimile: 071 213 1330.

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Coopers & Lybrand — Solutions for Business

MAGAZINE TITLES

Southern Magazines Limited

The Joint Administrative Receivers N J Vooght and J M Iredale, offer for sale as part of the assets of Southern Magazines Limited, the following titles.

Vending International
Principal features include:
- monthly magazine
- annual revenue of £201,677
- published since 1967
- circulation - 6,500 copies per month, rolling circulation 11,000 names and addresses.

Kent Life
Principal features include:
- monthly county magazine
- annual revenue £209,185
- published since 1962
- circulation - 3,000 copies.

Vending Manual
Principal features include:
- annual journal
- annual revenue of £63,995
- published since 1969
- circulation - 1,000 copies.

Business in Kent
Principal features include:
- monthly magazine
- annual revenue £148,680
- published since 1978
- circulation - 8,000 copies.

The above magazines continue to be published. Archives and back issues are available.

Other titles available for sale include: Her Majesty's Consul List • World Vending • Kent Care Retirement Homes Directory • Office Refreshment Service News • Surrey Life.

For further information, please contact Nigel Vooght or Douglas Peniston at Coopers & Lybrand, Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DZ. Telephone: 0622 672961. Fax: 0622 662053.

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Limehouse TELEVISION

The Joint Administrative Receivers of Limehouse Television Limited offer for sale:

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The premises are located close to Wembley's sports and entertainment complex and within easy access of transport facilities.

For further information, please contact: AV Lomas Esq., Joint Administrative Receiver, Price Waterhouse, No.1 London Bridge, London SE1 9QL. Tel: 071-939 3000.

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TAXATION**

The Financial Times proposes to publish this survey on

18 February 1993

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Tel: 071 873 3349
Fax: 071 873 3064

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

STEPNEY GROUP PLC

and Subsidiary Companies (In Administrative Receivership)

The Joint Administrative Receivers offer for sale as going concerns the businesses and assets of Stepney Group PLC and its trading subsidiaries, all based in Beverley, North Humberside.

Stepney Limited
- Specialist building contractor offering integrated design and build services to local authorities and housing associations
- £20 million turnover
- £2.5 million work in progress
- £13 million order book
- BS 5750 Quality Assurance approval
- Vacant leasehold office premises in Morley, Leeds
- 130 employees

Stepney Group PLC
- Holding Company
- Freehold offices and factory premises on 8 acre site in Beverley

Stepney Homes Limited
- Residential housing developer
- 20 acres of part completed and undeveloped sites in North Humberside

Stepney Cast Stone Co. Limited
- Specialist manufacturers of precast concrete and reconstructed stone
- UK licensed manufacturer of segments for the mini-tunnel system
- £1 million turnover
- 45 employees

Stepney Services (Beverley) Limited
- Industrial and domestic plumbing and heating contractors
- Local Authority approval
- £2 million turnover
- 25 employees

For further details contact the Joint Administrative Receiver
Michael Hore
or Jeremy Carter or Mark Burke at the companies premises on 0482 867867

ROBSON RHODES

PO Box 15, St George House, 40 Great George Street, Leeds LS1 3DQ. Telephone: 0532 459631. Fax: 0532 452823
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Enquiries should be addressed to Paul Keeley at:-
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Peter House, Oxford Street, Manchester, M1 5AB
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Fax: 071724 8666

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هكذا من الأجل

BUSINESSES FOR SALE

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Northampton

The Joint Administrative Receivers offer for sale the business and assets of Grendon Lakes Limited. The company provides water based leisure activities plus bar and restaurant facilities.

Principal features include:

- Attractive 140 acre freehold site.
- Established Membership.
- Four lakes for water skiing, windsurfing, fishing etc.
- Clubhouse incorporating restaurant, bar, changing facilities and living accommodation.
- Planning permission for manager's house.

For further information contact the Joint Administrative Receiver, Myles Halley, KPMG Peat Marwick, Spencer House, Cliftonville Road, Northampton, NN1 5BU. Tel: 0604 34480. Fax: 0604 32297.

KPMG Corporate Recovery

Curtain Walling Manufacturer

Capital Aluminium Systems Limited (In Liquidation)

Stirling, Central Scotland

Established in 1978, the business embraces the design, fabrication and installation of a comprehensive range of aluminium framed glazing products, specialising in curtain walling.

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- Comprehensively equipped manufacturing and fabricating facility
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- April-October 1992 turnover £2.2 million

For further details contact the Liquidator: DD McGruther, Grant Thornton, 112 West George Street, Glasgow G2 1QF. Tel: 041 332 7484. Fax: 041 333 0581.

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

FR Cass Limited

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of the above company on a going concern basis.

The company is an old established Specialist Jobbing Foundry capable of producing up to 10 ton castings, with its own machine shop and its own pattern shop.

- Current turnover approximately £600,000 per annum.
- Substantial freehold property in Bury, Lancashire of approximately 1 acre and is ideally situated only 1/2 mile away from the motorway network.
- 2 coke fired cupolas.
- Full cranage for all departments.
- 20ft deep casting pit within the main foundry.

For further information please contact:

J J Gleave or A C O'Keefe,
Arthur Andersen,
Bank House,
9 Charlotte Street,
Manchester M1 4EU
Tel: 061 200 0277. Fax: 061 200 0343

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HOUSE BUILDERS, PROPERTY DEVELOPERS AND SHOPFITTERS

Omega Group plc and its subsidiaries

The joint administrative receivers, D J Stokes and E Klempka, offer for sale the business and assets of this well established group of house builders, property developers and shopfitters.

Principal features of the business include:

- Three residential building sites in South Yorkshire and North Derbyshire, with planning permission for approximately 90 plots to be completed
- Residential conversion situated in South Yorkshire, currently with planning for four large units
- Commercial development site near Sheffield centre, with permission for 40,000 sq.ft office block with substantial car parking
- Commercial property to be refurbished with planning approval for 40,000 sq.ft office accommodation with substantial car parking
- Grade II listed group headquarters of 9,000 sq.ft, partly income producing
- Fully equipped shopfitting workshop (leasehold).

For further information please contact David Stokes, Joint Administrative Receiver, at Coopers & Lybrand, 1 East Parade, Sheffield, S1 2ET. Telephone: 0742 729141. Fax: 0742 598202.

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Coopers & Lybrand

MANUFACTURER OF OFFICE FURNITURE AND SCREENING

Arlington Business Furniture Limited

The Joint Administrative Receivers, Robin Addy and Mark Pallos of Coopers & Lybrand, offer for sale the business and assets of the above company.

Principal features of the business include:

- 50,000 sq ft leasehold premises in Milton Keynes
- 1992 turnover in excess of £2 million
- Current sales order book of approximately £1/4 million
- Well known brand names including Applepine, Kewlox Driad, Sculpture and Kinderflex
- Extensive range of owned production machinery
- Skilled and experienced workforce.

For further information, please contact the Receivers or Keith Morgan at Coopers & Lybrand, Central Business Exchange, Midsummer Boulevard, Central Milton Keynes MK9 2DF. Telephone: 0908 692469. Fax: 0908 690065.

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Coopers & Lybrand

MANUFACTURER/SUPPLIER STEEL PIPE FITTINGS

Robert Hipkiss Limited

The Joint Administrative Receivers John Powell and David Wilton, offer for sale the business and assets of this West Midlands based manufacturer and supplier of steel pipe fittings.

Principal features of the business include:

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- highly skilled, experienced workforce.

For further information please contact John Powell or Kevin Haycock at Coopers & Lybrand, 43 Temple Row, Birmingham B2 5JT. Telephone: 021 200 4000. Fax 021 200 4040.

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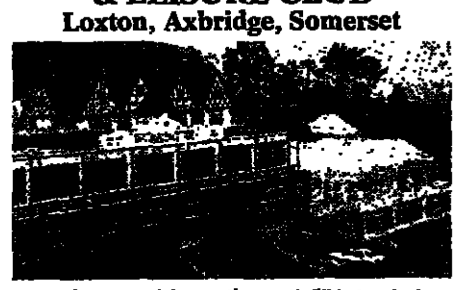

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TECHNOLOGY

Talking in digital tongues

What do the phrases "recognising speech" and "wrecking a nice beach" have in common? Nothing, is the obvious answer. Yet both phrases are acoustically identical. So how can a smart computer (which can hear and speak) spot the difference?

Computer researchers involved in speech translation technology face this question every day. But they are making progress, as an experiment is designed to show this week in Munich.

It will link three sites in the US, Germany and Japan by telephone and allow conversations to be simultaneously translated by using speech synthesisers, computers and digital telephone signals.

Conversations cannot carry more than 600 pre-defined words and must be continuous and flawless. But the system is speaker-independent – it can recognise any voice, regardless of intonation and accent.

"Within the last year or so, such technology has become less of a utopian dream. We are moving into practical uses," says Alexander Waibel, a professor at Germany's Karlsruhe University who, with colleagues from Carnegie Mellon University in the US and the Advanced Telecommunications Research Institute International of Japan, is conducting the experiment.

The results stem from a decade of research in which other companies have also been active. AT&T, the US telephone group, presented at last year's Seville World Fair a system which translates some 200 words but remains speaker-dependent. Nippon Electric Corporation also funds such research.

Recent progress in the field has attracted the interest of Germany's Siemens, which partially funds Karlsruhe's work. But most funds are from the state. The German government is spending DM13m (£5.3m) annually over eight years. ATR enjoys funding from Japan's Post and Telecommunication Ministry.

Ariane Genillard

Della Bradshaw reports on the battle to stamp out electro-magnetic interference from the airways

Silencing the kitchen gadgets

Blanche Cosgrove's Christmas decorations should have been above suspicion. But when police in her home town of Lancaster, Pennsylvania found the only sound they could pick up on their police radios was "Jingle Bells", the Cosgrove household fell under scrutiny.

There, investigators found a musical ornament decorated with three plastic reindeer with illuminated noses. Unknown to Cosgrove, the decoration had emitted a signal on the police radio frequency and the signal was amplified by a local radio repeater antenna.

Fortunately, the police department found the incident amusing rather than criminal. But, says Stephen Kirk, managing director of Radio Frequency Investigation, which tests equipment for electromagnetic noise, it vividly demonstrates how emissions from the smallest electrical or electronic gadget can interfere with important equipment, often causing serious problems and even threatening lives. "People often think that because a product is small or cheap it won't cause interference, but it does," he says.

Most of the time, electro-magnetic interference is an irritant – for example, causing the "snow" on television screens when an old-fashioned electric drill is used – rather than a killer. The catalogue of actual disasters caused by such interference is slim: disrupted railway signalling, satellites veering off course and manic Japanese robots killing factory workers are well-worn examples. During the 1991 Gulf conflict, interference also caused an electronically-controlled missile to fire accidently.

But as the number of electronic gadgets increases, from the latest mobile phone to the whizziest food mixer, so does the potential for disaster. And on a commercial level, as computer systems proliferate, so does the potential for computer discs to be corrupted and data destroyed.

The impending regulations have Britain's smaller companies up in arms. They say they cannot afford to comply with the new regulations

In a European-wide move to cut down this electronic smog, the European Community has issued regulations regarding electro-magnetic interference. These say that from January 1 1996, all manufacturers and users of electrical or electronic equipment will have to ensure that their equipment does not interfere with other machines, nor is it susceptible to interference. The penalty for non-compliance is a fine or even a prison sentence.

But the impending regulations have Britain's smaller companies up in arms. They say they cannot afford to comply with the new regulations.

Systek Controls, for example, finds itself in a dilemma faced by many small electronics companies. It employs nine people and makes control systems for machinery as diverse as food processing plant and machine tools. "Basically our customer would have a machine which was 20 or 30 years old but was mechanically sound. However, it would need a new electric control system. The company would come to us for that," explains managing director Robert Bent.

As a result, most of the pieces of equipment Systek makes are one-off designs, ranging in price from between £800 and £30,000. Testing each piece of equipment to ensure that it complied with the regulations would cost at least £3,000 – in many cases more than the equipment costs today to buy. And that assumes the equipment passes the test the first time.

To head off criticism, the Department of Trade and Industry in the UK has issued a document for smaller companies offering a cheaper option – self-certification. Companies choosing this route only have to say they believe their equipment complies with the standards.

Bent believes even this is a headache: "We ought to be able to self-certify – but can we? One of our biggest problems is finding out what we can and can't do. It has to involve extra work and one of our shortest resources is time."

Others are not so charitable. Colman Twohig, who runs his own company, Twohig Electric Services, describes the self-certification route as "ridiculous" in law. "Why have a law and then say that you're allowed to break it if you can't afford to comply with it?"

He likens it to Britain's MOT test for older cars. What would happen, he asks, if car owners who could not afford to test their cars were allowed to bypass the procedure by stating simply that they believed the car to be road-worthy?

After 1996 – when the self-certified equipment is in use – Twohig believes a small company would have no defence in the case of a prosecution if found to have breached the rules.

Kirk argues that companies can minimise such risks by ensuring good design practice and by doing partial testing on component parts which appear in all their products. Victor Clements, sales and marketing director of Interference Technology International, of Swindon, believes another way of cutting costs is to take out a technical file on a family of products, which could be done for as little as £1,000, and claim compliance of other products on the grounds of similarity.

It is all a question of risk analysis, argues Kirk. For a company which produces just one piece of equipment, there is little chance of interference and therefore self-certification is appropriate.

A company which produces thousands of television sets, on the other hand, would be in far greater danger of polluting the airwaves and therefore should do more thorough testing, both before and during production.

Twohig, however, believes that testing is the only route to ensure compliance. And, he says, the best solution would be for the DTI to give grants to smaller companies to subsidise testing. But the DTI has ruled out such a scheme.

John Redfern, of another one-man company, JR Engineering, also believes testing should be the rule, but that certain categories of equipment should be declared exempt. These would include prototypes and small production runs. A good rule, he says, would be to say that if the cost of testing were more than one-tenth of the revenue from the product family then the equipment should be exempt.

The self-certification scheme could also undermine one of the big bonuses put forward for electromagnetic testing – that testing would guarantee the quality of the product. Equipment which has undergone testing will automatically bear the "CE" sticker – a sign that the product meets the required European standard.

"Companies look at the CE mark as a mark of quality, particularly in the Far East," points out Clements.

Now the DTI has confirmed that companies that opt for self-certification will also be able to use the CE sticker. "That means the CE mark means absolutely nothing," concludes Redfern.

Twohig, Redfern and Bent are not the only ones concerned about the problems for small companies. The UK-circulated Electronics Weekly magazine has initiated a campaign asking smaller companies to get in touch if they have similar problems.

In the month the campaign has been running nearly 100 people have aired their grievances. "There is a ground swell of concern among small electronics companies," says assistant editor Paul Gregg. He says trade magazines in France and Germany have noted a similar swell of complaints there.

Critics of small businesses say it is the companies' own fault and that they should have heeded DTI warnings over the past years that the regulations were about to be introduced. Clements, for example, points out that his company has done more work for US companies, wanting to sell into Europe, than for British ones.

Kirk is more sympathetic. He believes the economic climate has done little to encourage small companies to look into the the issues of electro-magnetic compatibility: "If you're not sure that you're going to be around in a year's time then you're not going to worry about rules which will come into effect in four years, are you?"

How to manage ideas

Having a good idea is one thing. Making it work commercially is quite another. Among big multinational companies, the awareness of the importance of managing technology is well developed, but its practice still causes plenty of headaches.

Nearly 90 per cent of executives at multinationals think their businesses need some form of education in this area.

Their concerns centre on the strategic incorporation of technology in business, the shortening of product development lifecycles and the speedier adoption or abandonment of technologies.

The findings come from a survey by Decision Resources (a former affiliate of Arthur D. Little, the US consultancy), Management Centre Europe and American Management Association International. It was carried out among 120 executives of multinationals, based mostly in Europe and the US, at a seminar in Boston.

The main obstacle to the proper management of technology is an emphasis on short-term thinking, followed by internal competition over priorities, the need to justify new technologies financially and lack of communication.

Most executives believe a clearer definition of short- and long-term goals would help. Other solutions include placing higher priorities on the development of technology, and improved communications. Almost all say their company has taken steps to pay more heed to technology management.

Among these are: sponsoring staff education programmes; creating a senior position for technology management; and decentralising research and development. Innovation is not enough; commercial exploitation is just as important. As John Kay, economics professor at the London Business School, said last week: "The real difficulty lies in turning innovation into competitive advantage."

Andrew Fisher

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Oral hearings on pension equality

EUROPEAN COURT

The European Court of Justice will today begin the oral hearings in the Coloroll Pension Trustees' equal pension rights case, along with test cases from Germany and Holland which raise similar issues.

The court must decide whether equality is required only for pension benefits earned by service since May 17, 1990, the date of the Barber judgment, or for benefits which become payable after May 17, 1990, whether they were earned by service before or after that date.

The difference in the cost of these interpretations to British pension schemes has been estimated at £40bn.

In the Barber case the ECJ ruled that the EC equal pay rules were applicable to pension claims, but only from the date of that judgment. In 1992, this restriction was enshrined as a protocol in the Maastricht Treaty.

The court will also have to decide whether the equal pay requirements of the Rome Treaty ban the use of mortality tables which reflect the differing life expectancy of men and women. If they do, annuities, tax-free lump sums, money-purchase benefits and transfer values will all have to be calculated on a unisex basis. This is a requirement of the Equal Rights Amendment in the US, but not usual in Europe.

As a measure of how important this case is to EC governments, the court will hear submissions from 16 parties including the UK, Ireland, Holland Germany and Denmark.

Joined Cases C-109/91, C-152/91 and C-200/91: G C Ten Oever v Stichting Bedrijfspensioenfonds voor het Glazenwassers, January 26, 1993.

Restriction on consumer protection under the Brussels Convention

In a case involving the Brussels Convention, the European Court refused to allow a third party to benefit from the Convention's consumer protection rules, even though that third party was relying on rights assigned to it by the consumer who had entered into the contract in dispute.

Under the Brussels Convention rules, consumers are entitled, exceptionally, to bring an action in the courts in which they are domiciled – the general convention rules being that proceedings must be brought in the jurisdiction of the defendant's domicile.

The case before the court concerned a contract between a German judge and the brokerage house of E.F. Hutton of New York to carry out certain financial transactions on the judge's behalf. Almost all the money invested was lost.

Every order placed by the judge was initially dealt with by the brokerage's German branch. The judge assigned his rights under the contract to a German company. This company brought the action in question against the brokerage house.

The court did not consider whether the original contract would have benefited from the convention's consumer protection rules. Instead, it restricted itself to stating that the rules in question, being exceptions from the main principle of jurisdiction in the convention could not go beyond what was laid down in the convention and that it was clear that the rules were only meant to benefit those parties who were not in a position of equality vis-a-vis their co-contracting party.

Thus, the plaintiff in this case, who was not the original consumer, could not benefit from the special consumer protection rules.

C-89/91: Shearson Lehmann Hutton Inc v TVB mbH, ECJ FC, January 19, 1993.

ECJ jurisdiction over EFTA Customs Commission

The ECJ ruled last week that it was competent to give a preliminary ruling on the decisions of a customs commission, established under the European Free Trade Agreement, even though the acts of the commission were not binding and were incapable of giving rise to rights which could be relied on before the national courts.

C-188/91: Deutsche Shell Aktiengesellschaft v Hauptzollamt Hamburg-Harburg, ECJ 6CH, January 21, 1993.

Reliance on transitional provisions

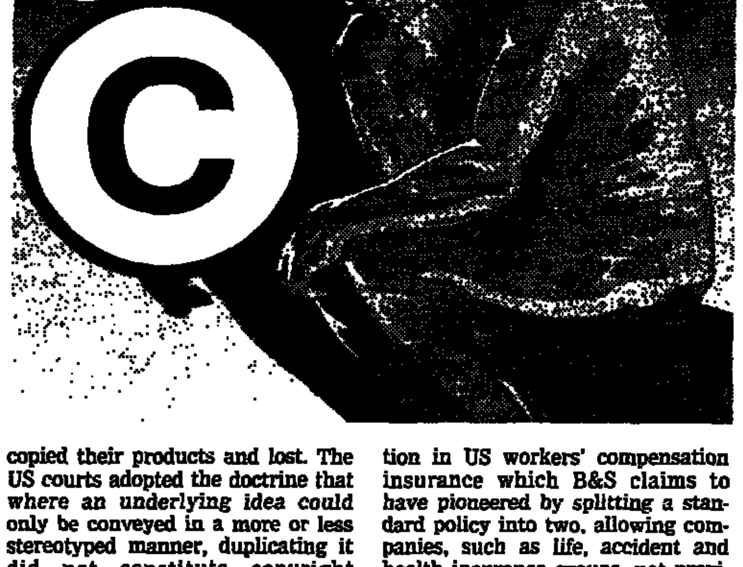
The court dealt with two cases involving Portuguese transitional provisions for the progressive adjustment of its alcohol state monopolies.

C-76/91: Caves Neto Costa v Minister for Commerce and Tourism and the Secretary of State for Foreign Affairs, ECJ FC, January 19, 1993. C-361/90: Commission v Portugal, ECJ FC, January 19, 1993.

BRICK COURT CHAMBERS, BRUSSELS

Insurers lay claim to their policies

Robert Rice and **Richard Lapper** on a test case for intellectual property



On January 5, B&S Underwriters, a Louisiana-based insurance company, filed a lawsuit in the US District Court for West Louisiana that will provide the first test of copyright protection for insurance policies.

The outcome of the case brought by B&S against two US subsidiaries of Kansa Corporation, the Finnish insurance giant, will be watched by the insurance industry worldwide with great interest.

Victory for B&S could produce a torrent of litigation in the US as insurance companies seek to enforce intellectual property rights over insurance products that they have taken out with increasing frequency over the past decade in the struggle to gain competitive advantage in the multi-billion dollar US insurance market.

According to B&S's lawyer, Mr Peter Trzyna of the Chicago law firm Keck, Mahin & Cate, 10 years ago there were less than 300 federally registered trademarks approved for insurance in the US. Today there are more than 1,200. There has been a similar rise in the number of copyright protections. From 1978 to 1981 there were only 1,500 copyright registrations relating to insurance forms; today there are more than 10,700. Some companies have also successfully obtained patent protection for computer support systems for insurance products and services.

The driving force behind this trend is increased competition in the industry, he says. Insurance companies can no longer afford to spend millions of dollars developing and launching new products only to have them copied by competitors and sold against their own products in the marketplace.

The increased willingness of US courts to recognise intellectual property rights over financial products, combined with a new awareness among insurance companies that intellectual property law provides a powerful tool for protecting their innovative ideas and products will have a profound impact on the insurance industry, he predicts.

Those who infringe intellectual property rights risk destruction of all their infringing policies and damages running into millions of dollars.

The increase in the number of insurance companies seeking intellectual property protection for their new products dates from the passing of the 1976 US Copyright Act. According to Mr Trzyna, before the Act came into force the courts proved very reluctant to uphold copyright protection for insurance forms.

A number of insurance companies with copyrighted insurance forms sued companies that had allegedly copied their products and lost. The US courts adopted the doctrine that where an underlying idea could only be conveyed in a more or less stereotyped manner, duplicating it did not constitute copyright infringement even if there was word-for-word copying.

Since the 1976 Act was passed, however, beefing up federal copyright law, there have been several cases where courts have found infringements of copyright in relation to other financial products.

In 1982, in a case brought by Dow Jones, a court ruled that a list of stocks in an index was protected by copyright. In 1985 Merritt Forbes, a securities underwriter and marketer which had registered a copyright for its reoffering circulars and supplements for tax-exempt municipal bonds, successfully sued Newman Investment Securities and others for infringing the copyright by using substantially copied documents in an offering.

To date, however, no court in the US has found an infringement of copyrighted insurance forms.

The B&S case involves an innovation in US workers' compensation insurance which B&S claims to have pioneered by splitting a standard policy into two, allowing companies, such as life, accident and health insurance groups, not previously involved with workers compensation, to provide cover.

B&S registered copyrights for essentially every public document covering the innovation, including its policies, underwriting guidelines, advertising and even its filings with the state insurance commissioners.

In addition it has six pending applications to register service marks used in connection with the product and it has filed a patent application for a computer system used to support the product and methods for making and using it.

B&S is not alone in combining intellectual property protections in this way to safeguard insurance innovations. The Chubb Corporation and its subsidiaries has at least one patent, 44 federal and 29 state trademark registrations and 150 copyright registrations. Lincoln National Insurance has one patent, 58 federal and 35 state trademark registrations and 89 registered copyrights.

"It took a great deal of effort and expense to create and launch our innovation and shepherd it through state regulators," says Mr William Wolfe of B&S. "Like those in other industries, we have used intellectual property protections to safeguard our innovation and we have licensed the rights to market it. All we want is protection from those who would otherwise use our work without incurring the expense and risk of pioneering a new product."

The complaint against the Kansa subsidiaries, Clarendon National Insurance Company and Sterling Investors Life Insurance, is that, having entered into discussions with B&S about the possibility of selling, in Louisiana, a standard workers' compensation policy that would complement the B&S product, and having induced B&S to reveal confidential information about its new product, Clarendon broke off negotiations and teamed up with Sterling to market competing policies based on B&S's trade secrets and in breach of the B&S copyrights.

B&S are claiming an injunction to prevent Clarendon and Sterling marketing their competing products, and are seeking destruction of all infringing policies, triple damages for wilful infringement and recovery of any profits resulting from the misappropriation of the B&S product.

According to another Keck partner, Mr Bruce Foudree, industry leaders will be watching this test case very closely. "To promote creativity and innovation in the insurance industry, those who bring new products to the market must be protected," he says.

But judging by their reaction to news of the case, insurers in the London market are not expecting the controversy to spill over into either the UK market or the London market, a focus for much of the world's commercial insurance and reinsurance industry and traditionally a centre of innovation.

"It seems very odd. When we launch a new policy we assume it has a shelf life of only a few weeks," said a spokesman for one of the large Anglo-American insurance brokers based in London.

"We assume we have six months before everybody else catches up."

Mr Alistair Gillies, a partner at City law firm Elborne Mitchell which specialises in insurance law, said there would be difficulties in asserting copyright over an insurance policy wording.

"As far as I am aware no one has ever tried to do it in the UK. It would be unlikely to happen here because of the difficulties in proving a wording was unique," he said.

LEGAL BRIEFS

Lawyer loses sex discrimination fight with US firm

Ms Nancy O'Mara Ezold, a US lawyer who successfully sued her former employers on the grounds that she had been passed over for partnership because of her sex, has lost her case on appeal.

The 3rd US Circuit Court of Appeals reversed the 1990 decision of US district judge James McGirr Kelly against Ms Ezold's former employers, Wolf Block Schorr and Solis-Cohen, the Philadelphia law firm. Judge Kelly had "impermissibly substituted his own subjective judgment for that of Wolf in determining that Ezold met the firm's partnership standards", the court said.

The case was the first of its kind to go to trial involving a law firm. Ms Ezold was following Ms Ann Hopkins who in 1989 had successfully sued accountants Price Waterhouse because she was passed over for partnership after she was evaluated by male partners as too "macho".

An interesting feature of the Ezold case was that instead of seeking damages she wanted Wolf to be forced to take her back as a partner. Ms Ezold's attorney says she will appeal.

BLB is 21

Congratulations to the FT's Business Law Brief, entering its 21st year of publication today. It is still edited by Dr A H Hermann, the FT's former legal correspondent, who started it in 1972 as the FT European Law Letter and maintains its robust criticisms of the shortcomings of the machinery of justice. In the January issue, a judge of the German Federal Supreme Court surveys the expanded jurisdiction of the court after unification and the Clinton administration's likely law policy is examined. BLB is published by FT Newsletters, 126 Jermyn Street, London, SW1Y 4UJ.

PEOPLE

Prudential appoints outside all-rounder

The Prudential has broken new ground in the appointment of Lorraine Baldry, aged 43, to be managing director of its property division, which manages the largest property fund in the country.

In an industry largely run by male chartered surveyors, her appointment is not only unusual in that she is a woman; she is also notable for her limited experience of the property industry, where she has worked for just three years.

Baldry, whose early experience was in the computer industry, is used to having a different background from her colleagues. For five years from 1982 she was the head of the BBC's engineering computer services. She was the most senior woman in the engineering department and one of few employees to lack an engineering qualification.

"I have never suffered from not having the background of the organisation I have worked for," she says. "IT people have to be good at learning the business."

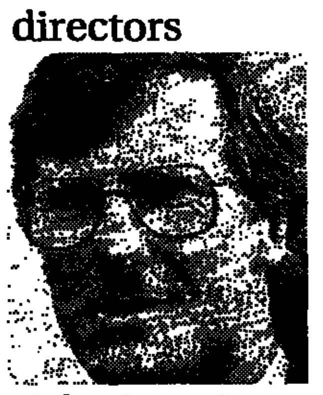
Baldry, who began work as a computer programmer after leaving school, has worked for a wide variety of organisations, ranging from her own consultancy, which she formed in 1975, to RCA Records, where she was head of management information services.

She says she has never needed to adapt her style to the very different corporate cultures of these organisations. "Power dressing is a load of garbage. I wear suits. I wear the same style of clothes I have always worn," she says.

Her appointment as managing director is merely the latest in a series of changes affecting Prudential Property Managers over recent years, since Hugh Jenkins arrived as chief executive. The division has shed over a third of its staff, has streamlined its management structure and is installing a new computer system.

Her recent elevation from chief operating officer to managing director reflects the Prudential's choice of a manager with all-round business expertise, rather than specialist property knowledge, to head the division of 700 people who manage five funds worth £3.7bn. Her promotion coincides with the announcement of the departure of Christopher Edwards, a director of PPM, who oversaw property investment matters.

Non-executive directors



■ **Anthony Beevor**, a director of Hambros Bank and a former director-general of the Takeover Panel, at RUGBY GROUP.

■ **Sir James Duncan**, former chairman and chief executive of the Transport Development Group, at BOALLOY.

■ **Hubert Reid**, group md of the Boddington Group, at BRYANT GROUP.

■ **Ken Scobie** has resigned from ALBRIGHTON.

■ **Sir David Rowe-Ham** has resigned from HOSPITAL CORPORATION INTERNATIONAL.

■ **Bob Jordan**, chairman of Philip Harris Holdings and former group md of Foseco; **Magnus Mowat**, a former director of BZW, and **Bob Paine**, a former md at J Bibby, at SCHOLES GROUP. **Richard Hayes** and **Richard Morgan** have retired.

■ **Ronnie Hamill**, deputy chief executive of SAS Holdings, at HAVELOCK EUROPA.

■ **Michael Hamilton** as chairman at PACIFIC HORIZON INVESTMENT TRUST in succession to Garnet Harrison.

■ **Richard Wheeler-Bennett**, a director of Australia and New Zealand Bank between 1966 and 1978 and a former chairman of the Marie Curie Memorial Foundation, at ANZ GRINDLAYS BANK.

■ **Graeme Connell** has retired from QBE INTERNATIONAL INSURANCE.

■ **Denis Bergin**, senior partner of Arthur Cox, at FYFFES.

Dunn's tomorrow

Martin Dunn, 37, editor of Today, is leaving for the US to edit the Boston Herald. Several months ago the name of Dunn, a former deputy editor of The Sun, was linked with the editorship of the Daily News in New York. Instead he is moving from one of Rupert Murdoch's five UK nationals to his main remaining US newspaper.

During his editorship, Today became Britain's fastest growing newspaper and, according to News International, increased circulation by 21.87 per cent last year.

Kane and de Sausmarez on the move

The musical chairs in the unit trust industry continue as Morgan Grenfell Asset Management (MGAM), which lost its top unit trust man Tony Fraher to Singer & Friedlander in November, has lured Graham Kane from Touche Remnant as managing director of both Morgan Grenfell Unit Trust Managers and Morgan Grenfell Investment Funds.

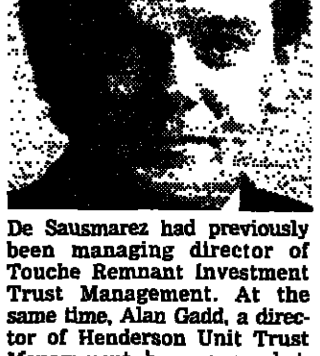
Kane (right), who had previously been managing director of Touche Remnant's unit trust operation, had been offered the job of heading the combined unit trust division following Henderson Administration's purchase of TR from Société Générale, but handed in his resignation before taking up the appointment. He says he is "more excited" by Morgan - partly because of the bank's overall investment performance track record; partly because the unit trust side is only five years old and hence offers greater scope in product development.

Keith Percy, chief executive of MGAM, says he hopes that 36-year-old Kane will build up the authorised unit trust side, which currently manages around £400m, to £1bn within five years, partly by acquisition in an industry that is expected to see considerable consolidation of funds and fund management groups.

He will also be expanding the range of funds marketed out of the Republic of Ireland, which currently amount to around £500m of retail and institutional monies. Fraher and the team of eight marketing and administration staff that went with him from Morgan has set up a Dublin-based company, also to market so-called UCITS funds across European borders.

Kane says that, given his experience with Société Générale, he had satisfied himself that Fraher's departure was not linked to friction with Morgan's parent Deutsche Bank.

Henderson, which shortly after the acquisition announced it would be making almost half the staff of TR redundant, has promoted James de Sausmarez into the position of managing director of a new company charged with the marketing and business development of the investment trusts of the two entities.



De Sausmarez had previously been managing director of Touche Remnant Investment Trust Management. At the same time, Alan Gadd, a director of Henderson Unit Trust Management, becomes marketing director of the retail division which includes unit and investment trusts as well as private client business.

Concert

Prague Symphony plays Janáček

Though not officially related to the BBC's *recent* Janáček festival at the Barbican, the Festival Hall performance of his glorious "Glagolitic" Mass on Sunday came nicely in time. The visiting Prague Symphony brought it, or rather collaborated in it with the London Symphony Chorus (in excellent fettle, strong and precise). The solo singers, however, were all from Eastern Europe; and the solo violinist in the other work, the Brahms concerto, was the Russian Raphael Oleg, who won the Tchaikovsky competition in 1986.

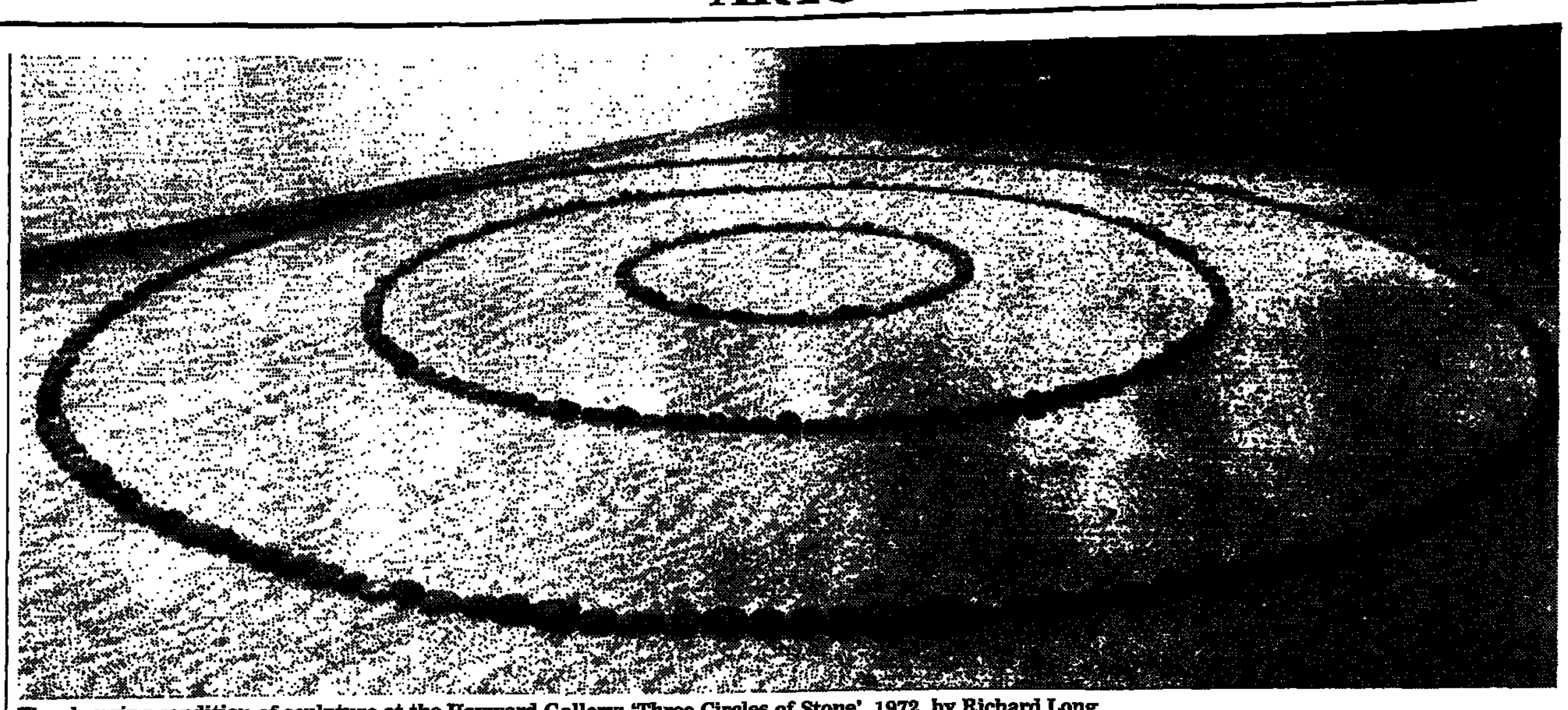
Martin Turnovsky, for many cruel years *persona non grata* with the old Czech regime, is now Chief Conductor of the orchestra. In Brahms, their special quality was immediately plain to hear. Unlike any Western band I can think of, they combine a notably soft-edged attack – not quite emollient, but never, *ever* pugnacious – with broad, serenely assured rhythm. Conspicuous virtuosity is not their style, but that easy, flexible pulse bespeaks a long tradition of collective musicianship. It was beautifully found in the concerto, which wore a steady pristine glow. The inner orchestral voices carolled sweetly.

In this company Oleg's taut, elegant solo line sounded a bit cool and buttoned-up, cultivated player though he is. (I should like to know whose cadenza he used – it was *not the standard Joachim one.)* Similarly almost any Western performance of the "Glagolitic", which has become a Western favourite in the last decade or so, would have had more violent fortissimos and more theatrical pianissimos than the Prague reading. Turnovsky secured its contrasts by attentive loyalty to Janáček's instrumental writing, which by "normal" standards is strange – and for the strings dismayingly scratchy, though the Prague players made it sound natural enough.

The trombone utterances were penetrating, not overbearing, and the trumpets never shrieked. Every dramatic point nevertheless registered, without lurid spotlights, and the breadth of the music resounded. Among the soloists, Magdalena Hajóssyová wielded a bright individual soprano (a touch of glare toward the top helped her to cut through the band), and the Bulgarian Verdi-tenor *Kaludi Kaludov* made a smooth fist of his high-lying part without one strangulated squeak: a rare feat. In their briefer roles, the larger-voiced mezzo Marta Benačková and bass Peter Mikulás carried the needed weight with aplomb.

It was left to the organist Jan Hora, a Janáček performer of long experience, to disclose the composer's wildest vein in his two solo interludes, which he did with hell-for-leather courage. Old Janáček himself had been an organist; the penultimate number in his secular-pantheist-nationalist "Mass", a frenetic eruption *after* the voices have fallen silent, must represent his personal, unassuaged last word. It sounded like that here, sealing the impression of a *raw document – beyond* conventional piety or solace, but urgently addressed to his modern fellow Czechs: "What are we here for, what should we do?" The question itself was put too poignantly for any answer to be sufficient.

David Murray



The changing condition of sculpture at the Hayward Gallery: 'Three Circles of Stone', 1972, by Richard Long

'Arte povera' of empty sculpture

William Packer reviews 'Gravity and Grace' at the Hayward Gallery

To look back art-historically on the critical orthodoxies of the past is never a bad thing. This winter's exhibition at the Hayward Gallery is a review of sculpture of a particular kind made at a particular time, the product of the international avant-garde of some 20 years ago.

Gravity & Grace recalls several polemical and controversial exhibitions of the early 1970s, notably the *11 Los Angeles Artists* of 1971, with its portable fish farm by Newton Harrison; *The New Art* of 1972, that was *selected by Anne Seymour; and* William Tucker's *The Condition of Sculpture* of 1975, all of them arranged by the Arts Council at the Hayward Gallery.

The "Gravity" of the present exhibition's title refers specifically to the definition offered by Tucker at that time: "Sculpture is subject to gravity and revealed by light. Here is the primary condition. Gravity governs sculpture's existence in itself, light discloses sculpture to us."

So seriously, indeed, does Jon Thompson, the organiser of this present exercise, take the Tucker dictum, so central is it to his own debate, if only in opposition, that he reprints Tucker's argument in his own catalogue. "As I walked round", says Thompson, "I recall *getting more and more angry that* so many of my favourite artists were not included ... I still believe ... that his position was unnecessarily astringent, and did not properly represent a time of great diversity and change. I hope this exhibition will serve to redress the balance."

Is there, perhaps, the tiniest suspicion that, after all these years, he doth protest just a shade too much? *Does the old view, which* Tucker chose to recast in contemporary terms- that sculpture exists in the real world, to be considered in its own terms and material presence in relation to human experience- still represent such a rankling threat to the prevailing orthodoxy? Can it really be that there is a balance still to be redressed, from his point of *view, in a critical culture that sees* Damien Hirst, he of the fly factory and the fish in formaldehyde, as the brightest of our bright young hopes; that this year sends that tired old Duchampian, Richard Hamilton, to represent us at Venice; that, by dint of assiduous promotion over a generation past, has by now established Richard Long and Gilbert & George as the most famous and internation*ally established of living British art*ists?

Thompson's selection of artists here is international, including several American and a couple of British minimalists and conceptualists, but weighted emphatically towards European artists, most especially those associated with the *arte povera* of the late 1960s. Such "Poor Art" was the confection of the Ital*ian critic,* Germano Celant, who argued at the time a political and revolutionary engagement and equivalence between art and the various protest movements of the time.

Nowadays such over-specific intellectual encumbrances may be lightly cast aside in favour of something more general. In Celant's view, "poor" art "prefers essential *information", which Thompson* glosses as an art "which is stripped of superfluous meanings. It addresses the viewers on its own terms, without the obfuscations and mediations of existing interpretative structures. Thus the 'poor' work is a 'transparent' work ... it hides nothing, it carries nothing within its interior space least of all the psychological trappings or biography *of its maker ... it represents* a clear shifting of the focus of authority away from the artist to an authority of interpretation invested in and by the viewer."

So there we have it in Thompson's own *words:* an art for which, if he is divested of all authority, the artist may reasonably accept no responsibility – except, of course, from all the critical plaudits and *celebrity, the* official patronage and exhibitions, and all the *arte povera* trappings of conspicuous commercial success. And the "poor" viewer is left to make of it all just what he will, with only the intellectual blackmail to console him: that is to say, if he can make nothing of it, although there is avowedly nothing there, it is no fault of the artist, but of himself.

So we move into the Hayward, and there on its perch sits a resplendent blue and red Macaw eyeing with "transparent" scepticism the rest of the art-work of which it is *the liveliest* part: the long trays planted with cacti of "Untitled 1967" by Jannis Kounellis. There are Barry Flanagan's folded hessian blankets, green, red and yellow, "Pile 1", and his sacks heaped in a corner with the light shone on them: Bruce Nauman's empty steel cage within a marginally less empty steel cage; Joseph Beuys's row of empty changing-room *lockers;* Robert Morris's nine empty fibre-glass tubes; Mario Merz's brushwood faggots; and Richard Long's significantly early (1972) circles of pebbles. Also here is Robert Smithson's tower of blue trays full of rocks, *with a little note* and map to tell us where they were collected, in case we wondered ...

We have seen it all before, often, but there is nothing wrong in that. Only the underlying assumption offends, that what is now academic should be defended and promoted as being of the first current importance, the persistent heresy that only what is avant-garde, *soi-disant revolutionary, can ever* be truly significant. Within the broader context of the history of art, and of the modern movement in particular, work of this kind had its moment. It took to the limit certain ideas – derived in any case from constructivism and Dada; conducted some useful, even necessary experiments; and made its point as to what might be possible. That is all.

Gravity & Grace: the changing condition of Sculpture 1965-1975; the Hayward Gallery, South Bank Centre SE1, until March 14: supported by the Henry Moore Foundation

The magic of Merce

Alastair Macaulay discusses the American choreographer's latest works, commissioned in Europe

Merce Cunningham is an American artist, and so much of his sensibility is profoundly American that it seems amazing that he is taken seriously elsewhere. He is a figurehead of the New York School, of American modernism, of abstract expressionism; and he is parent and grandparent to numerous dance-makers who have *learnt from him, broken away from* him, and launched new mini-styles of their own.

But Cunningham's two last commissions came from Europe. Last spring, the Rambert Dance Company gave the premiere of his *Touchbase*. Though Cunningham used mainly his own dancers when creating its dance material, he still has not had his own company per*form it onstage. Then, this winter,* his company presented his new *Enter* at the Paris Opéra, which had commissioned the premiere. A long work (60 minutes), *Enter* looked utterly locale-specific (new performing-arts jargon term) – i.e. it made such use of the breadths, depths and heights of the Palais Garnier stage that you wonder what on earth it will look like anywhere else. New York will find out soon, and it will see *Touchbase* too. Both will be part of the company's annual March season at City Centre Theatre.

What was most striking about *Enter* at the Opéra was the immense space high above the dancers, and how powerfully the dance occupied that space, addressed it, radiated up into it. Here are secrets, usually associated only with ballet, but which no other choreographer today understands half so well: how dance occupies not just the stage *space in which it is performed, how* it projects not only straight out into the auditorium, but how it acquires *full scale by addressing itself to the* dimensions of the whole tall (largely empty) box of stage space. Cunningham's dancers have this scale partly because of the pulled-up and stretched qualities of Cunningham technique, but also thanks to his sense of dance as gesture. His dancers seem to carry high blocks of air above them as they move, and to release energy along multi-dimensional paths.

> *His dancers seem to carry high blocks of air above them*

Cunningham knows how to makes his dancers register as individuals in a big theatrical way, without fake heroics. What a human sense of architectural proportion: and this sense is one reason (though only one) why he is called a classicist.

At the same time, *Enter* demonstrated – more powerfully than any ballet I have seen there – the astounding depth of the Opéra stage. If there is one passage that I and many others could never forget *from the Paris performances of this* work, it would be how Cunningham has his dancers rush downstage in a stream, one after another, and pass rapidly across the front and off – only to reveal a male-female couple moving very, very slowly at the back of the stage. It is as if a telescope had suddenly switched from a racetrack to the surface of the moon. Near; then far. Blurring *speed; then hushed slowness. The* contrasts – unmissable – are breathtaking.

Much of *Enter*'s movement involved a degree of wildness, falling, fragmented phrasing and animal attack: qualities that have interested Cunningham increasingly in recent years. Amid this marvellous company, I must single out Frédéric Gafner for the solo, both luxuriant and paradoxical, in which he tilts, curves and arches every which way and then suddenly bursts forth into vivid jumps.

Merce Cunningham (centre) in Roaratorio, 1986 from 'Dancing in Space and Time'

Cunningham himself only performed in *Enter*, giving himself two brief solos. The second was jauntily inventive, but he performed it in that "There's life in this old buzzard yet" manner that can be so objectionable in this ageing, once-great dance star. But in his first solo all Cunningham did was to stand still, on three different points at the back of the stage, each time for about a minute. Sometimes the younger dancers came and danced in front of him, and he just stayed there impassive. Sometimes there was nothing to look at but him. Cunningham is 73. His feet are gnarled by arthritis, his knees and upper spine are not what they were, and his face is a web of lines. But as he stood there, like some pillar that had been there as long as the Palais Garnier itself, he was as wonderful to look at as an oak in winter; or a ship's timber washed up by the tide.

■ A new collection of essays written on Cunningham between 1944 and 1992, "Merce Cunningham - Dancing in Space and Time," edited by Richard Kostelanetz, has just been published by A Cappella Books, US, and by Dance Books, UK.

The Merce Cunningham Dance Company has its next New York season in March. A November season at Sadler's Wells is scheduled.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw 20.15 Hans Vonk conducts Netherlands Radio Philharmonic Orchestra in works by Debussy and Stravinsky. Tomorrow: Beaux Arts Trio. Thurs and next Wed: Myung Whun Chung conducts Royal Concertgebouw Orchestra in works by Rakhmaninov and Prokofiev, with piano soloist Olli *Mustonen. Fri, Sat and Sun (in* Kleine Zaal): Emerson Quartet. Sat afternoon: Heinrich Schiff conducts Netherlands Radio Chamber Orchestra. Sat and Mon: Hartmut Haenchen conducts Radio Symphony Orchestra in works by Schumann and Schubert, with cello soloist Antonio Meneses. Next Tues: Julian Bream. Feb 6: Gidon *Kremer. Feb 10, 11: Giulini* conducts the Royal Concertgebouw (6718 345). Sat at Beurs van Berlage: Netherlands Chamber Orchestra plays works by Sibelius and other Finnish composers (6270 466)
Muziektheater 20.00 Oliver Knussen conducts Pierre Audi's staging of Harrison Birtwistle's Punch and Judy (final performance on Fri). Thurs, Sun and next Tues: Christof Prick conducts Richard Jones' new production of Der fliegende Holländer, with Wolfgang Schoene and Kathryn Harries (in repertory till Feb 21). Tomorrow, Sat, next Mon and Wed: Nederlands Dans Theater in works by Hans van Manen, Jiri Kylian and David Parsons (6255 455)

■ *BRUSSELS*

Palais des Beaux Arts 20.00 Ton Koopman directs Amsterdam Baroque Orchestra in Bach's Brandenburg Concertos. Thurs: Ronald Zollman conducts Belgian National Orchestra in works by Haydn, Mozart, Stravinsky and Strauss. Fri: Alfred Brendel. Mon: Michel Beroff piano recital. Feb 18: Anne Sophie Mutter (507 8200)
Monnaie 20.00 Guido Johannes Rumstadt conducts Peter Mussbach's production of From the House of the Dead. Repeated tomorrow, Fri and Sat (219 6341)
Théâtre National 20.30 Kleist's Amphytrion. Till Sat (217 0303)

■ CHICAGO

CHICAGO SYMPHONY
Daniel Barenboim conducts choral works by Fauré and Stravinsky tomorrow, Thurs, Fri and Sat at Orchestra Hall, with soloists Renée Fleming and Andreas Schmidt. Next week: Barenboim plays Mozart (435 6666)
CHICAGO LYRIC OPERA
Zubin Mehta conducts August Everding's new production of Das Rheingold tonight and Fri at *Civic Opera House* (further performances Feb 1, 3, 6, 9, 12). The cast includes James Morris, Ekkehard Wlaschiha, Bryn Terfel and Tatiana Troyanos (332 2244)

■ PARIS

DANCE
Théâtre de la Ville Belgian experimental dance group Rosas, directed by Anne Teresa de Keersmaeker, opens a two-week season tonight at 20.30 with its award-winning production of Rosas danst Rosas (1983), repeated tomorrow, Fri and Sat. *Feb 2-6: De Keersmaeker's new* choroeography Erts, music by Beethoven, Webern and Shnitke. Feb 16-21: Nederlands Dans Theater (4274 2277)
Palais Garnier Rudolf Nureyev's *Opéra Ballet production of La* Bayadère is revived on Fri, thereafter daily till Feb 10 except Sun, Tues and Thurs (4017 3535)
OPERA
Opéra Bastille Tonight, Fri and next Mon: Un ballo in maschera with Dennis O'Neill, Alain Fondary and Gabriela Benackova, in repertory till Feb 20. Sat: revival of Roman *Polanski's production of* Les Contes d'Hoffmann, with Vinson Cole, Jean-Philippe Lafont and Mara Zampieri, in repertory till Feb 27. Dmitri Hvorostovsky gives a song recital on Feb 4 (4001 1616)
Opéra Comique Tonight, tomorrow and Fri: William Christie conducts Alfredo Arias' Aix Festival production of Les Indes Galantes (4286 8883)
Théâtre des Champs-Elysées *St Petersburg National* Opera season continues daily till Sun. Tonight, tomorrow, Thurs: Rimsky-Korsakov's Golden Cockerel. Fri: Prince Igor. Sat and Sun: Tchaikovsky's Iolanta. Feb 4: concert performance of Werther. Feb 6: Iphigénie en Tauride with Martine Dupuy and François Le Roux (4720 3637)
CONCERTS
Châtelet Tomorrow: Bartók Quartet plays works by Haydn, Shostakovich and Dvořák. Fri: David Robertson directs Ensemble InterContemporain in Henze's Voices. Sat: Marek *Janowski conducts Orchestre* Philharmonique de Radio France in works by Bartók and Prokofiev, with piano soloist Zoltan Kocsis. Next Tues: Yvonne Kenny song recital. Feb 8: Boulez conducts *Messiaen and Elliott Carter* (4028 2840)
Salle Pleyel Wed, Thurs, Fri: Semyon Bychkov conducts Orchestre de Paris in works by Berlioz, Saint-Saëns and Shostakovich, with cello soloist Misha Maisky. Sat: Jeffrey Tate conducts Orchestre National de France in works by Berg and Mahler. Feb 8-13: Claudio Abbado *conducts Berlin Philharmonic* Orchestra (4563 0796)
Théâtre des Champs-Elysées Sun morning: Beaux Arts Trio. Mon: Michel Dalberto piano recital (4720 3637)
JAZZ/CABARET
Jazz Club Lionel Hampton Strunz and Farah, two virtuoso guitarists whose music combines Latin American rhythm with Spanish, Oriental and African improvisations. Daily till Feb 6, *music from 22.30 (Hôtel Meridien* Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)
● A 24-hour recorded telephone guide to Paris entertainments in English is on 4720 8898

■ WASHINGTON

KENNEDY CENTER
The Secret Garden, an enchanting musical based on the novel by Frances Hodgson Burnett, runs daily till Sun at the Opera House. Washington Opera's repertory at Eisenhower Theater consists of Don Pasquale *(tonight and Sat, with Paolo* Montarsolo), Bizet's Pearl Fishers (tomorrow and Fri) and La Cenerentola (Thurs). In the Concert Hall, Paavo Berglund conducts the National Symphony *Orchestra* in works by Mendelssohn, Schumann and Haydn on Thurs, Fri, Sat and next Tues (202-467 4600)
WARNER THEATER
Twyla Tharp and Mikhail Baryshnikov appear together at a Washington Performing Arts Society event tonight and tomorrow (202-833 9800)
BALTIMORE SYMPHONY ORCHESTRA
Henry Mancini is guest artist on Thurs, Fri and Sat at Joseph Meyerhoff Symphony Hall. Next week: Garrick Ohlsson plays Rakhmaninov (410-783 8000)
THEATRE
● The Comedy of Errors: Shakespeare's comedy directed by John Retallack. Opens tonight, till March 14 (Shakespeare Theater at the Lansburgh 202-393 2700)
● *The Alchemist:* Ben Jonson's 17th century play of greed and deception. Till Feb 21 (Washington Stage Guild 202-529 2084)
● La Bête: David Hirson's comic verse drama about an 18th century acting troupe. Till Feb 6 (Source Theater 202-462 1073)
JAZZ/CABARET
Blues Alley Jazz Supperclub Vocalist Phyllis Hyman is guest artist daily till Sun (1073 Wisconsin Ave, in the alley, 202-337 4141)

■ ZURICH

OPERA
Yoko Watanabe sings the title role in Madama Butterfly tonight and Fri at the Opernhaus. Tomorrow: new ballet production, with works by Arthur Saint-Léon, Nijinski, Bernd Bienert and Jorma Uotinen. Thurs and Sat: Die Fledermaus. Sun: Eliahu Inbal conducts Jonathan Miller's staging of Schreker's Die Gezeichneten (262 0909)
CONCERTS
Tomorrow and Fri in the Tonhalle, Claus Peter Flor conducts Tonhalle Orchestra in works by Mozart and Bruckner (206 3434). Sun morning and next Tues evening at the Opernhaus: Riccardo Chailly conducts Mahler's Seventh Symphony. Next Mon: Heinrich Schiff joins Alban Berg Quartet in a Schubert recital (262 0909)

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MONDAY TO THURSDAY
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Super Channel: West of Moscow 1200.
Super Channel: Financial Times Reports 0630

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Sky News: Financial Times Reports 2030; 0130

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Super Channel: European Business Today 0700; 1200; 2230
Sky News: Financial Times *Reports 0530*

SATURDAY
Super Channel: Financial Times Reports 0830
Sky News: West of *Moscow* 1130; 2230

SUNDAY
Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

هكذا من الأدبل

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A guest arrives at a restaurant completely unaware of any dress code.

Then, at the entrance, he is enlightened: "Sorry Sir, gentlemen are required to wear ties in our restaurant."

One would think that at this point, the guest would be politely tossed out. But unfortunately, a more severe punishment is in store for him.

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Photo: Ringo Tang

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Public spirit, private vision

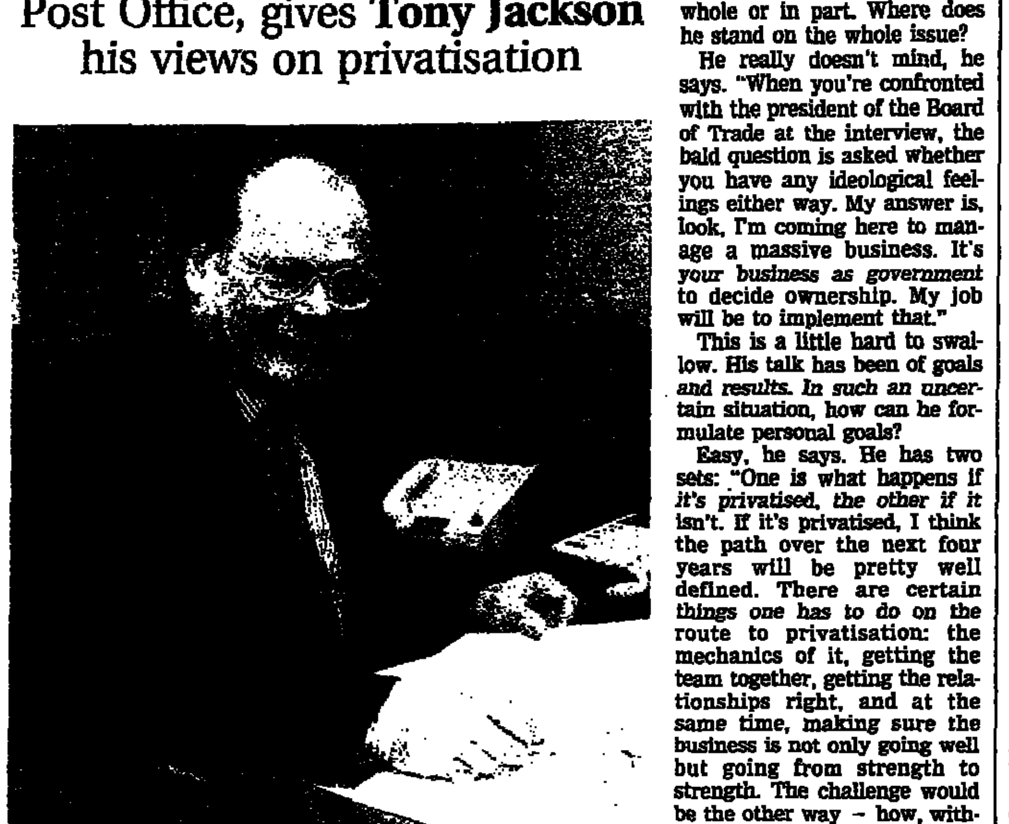
Mike Heron, new head of the Post Office, gives **Tony Jackson** his views on privatisation

Mr Mike Heron is, by his own account, a man who likes a challenge. This is doubtless why, at 58, he has just left the company where he spent his working life to head the Post Office, a sprawling public organisation with some 200,000 employees and an uncertain future.

Not that Mr Heron found the decision entirely easy. "I have to tell you," he says, "that to move from one company or career to another is a highly emotional decision. People don't just get up and do it. It's never risk-free."

But he had his reasons. Some months ago, he came second in the race to succeed Sir Michael Angus as chairman of Unilever, where he had worked for 34 years. Had he got the job, he says, he could have run Unilever his own way. It was not such a big deal when he missed it. All the same, he wanted a complete change.

And he wanted it in the public sector. Why? The answer, he admits by preamble, risks sounding pious. "I have a very strong feeling that we need to give back to society some of the things we've got from it. I'm an absolute product of the welfare state. My father was in the Post Office – he started behind the counter, and he ended there. I got a scholarship at the age of 11 to a grammar school, then I went into the army and up to Oxford. You can't ask for a better education than Oxford. And all of that was paid for by the state."



Heron: sees his job as implementing the government's decision

His sincerity here seems borne out by the record. In his six years on the Unilever board, Mr Heron took no outside commercial directorships. But his CV over the past decade bristles with public service appointments: in education, hospitals, training, business in the community and so forth. It didn't have to be the Post Office, he says. That was just what came up. "The important thing is for businessmen to take the science and the craft they've got and put it into the public domain."

What does that science consist of, exactly? "I think a businessman or woman, particularly in general management, is trained to focus on the raison d'être of the unit they're in. The discipline is to deliver. You start by gathering a database, and you move inexorably from that to the objective you have in mind. Normally, you're talking about the creation of wealth, the bottom line. But the same focus could be in some other area.

"The second point is that you learn to use the resources available. You actually value the people you're working with. Your prime resource is the human one, and a businessman gives a lot of attention to that."

That sounds like a personnel man speaking. Indeed, Mr Heron was Unilever's head of personnel for his last couple of years there. But his point, he says, is broader. "Any successful business would ensure that its line managers were responsible for people."

The personnel role should be more advisory and forward-looking – visionary, in fact. "I was utterly determined to take over personnel at Unilever. I believe emphatically that in the leading corporations of the world, the management of personnel and human resources is the key activity. In my view, the companies which will hold the high ground in a competitive world are those with the skill and the talent, and that's very scarce."

Presumably, this is especially true in the impoverished public sector. The top wage in the Post Office last year – the chairman's – was £170,000. Mr Heron concedes that pay is still a constraint in attracting outside talent. On the other hand, there are limits to how many outsiders he wants.

"It's quite a difficult balance. If you get too many coming in, you demotivate the others. And if you're not careful, you become short of experience. The Post Office is a massive operation, with massive numbers. If, for instance, you want to put in a new style of work, you've got to cascade it down to 50,000 people. So you have to have processes to manage things, and experience of that is very important."

Indeed, he claims, the existing management compares very well with what he is used to. Take, for instance, the introductory presentations he has had from divisional chiefs and board members. "There's less five-coloured charts and less pirouetting around to show what a great guy the presenter is. But the amount of information is unbelievable."

Behind all this is a looming question. The Post Office is in the public sector today, but it may not be for long. The government is about to decide whether to privatise it, in whole or in part. Where does he stand on the whole issue?

He really doesn't mind, he says. "When you're confronted with the president of the Board of Trade at the interview, the bald question is asked whether you have any ideological feelings either way. My answer is, look, I'm coming here to manage a massive business. It's your business as government to decide ownership. My job will be to implement that."

This is a little hard to swallow. His talk has been of goals and results. In such an uncertain situation, how can he formulate personal goals?

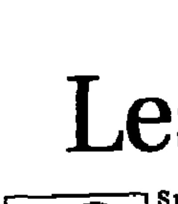
Easy, he says. He has two sets: "One is what happens if it's privatised, the other if it isn't. If it's privatised, I think the path over the next four years will be pretty well defined. There are certain things one has to do on the route to privatisation: the mechanics of it, getting the team together, getting the relationships right, and at the same time, making sure the business is not only going well but going from strength to strength. The challenge would be the other way – how, without privatisation, you move upwards and outwards in terms of world class."

That seems a pretty clear statement of preference. But another question arises. Much of his talk has been about public service; and as he says, the Post Office measures itself very strictly in terms of the quality of service it provides. If it were privatised, it would be answerable to shareholders. Where would his public service commitment be then?

His answer is a classic appeal to capitalism. In certain areas, the Post Office is a monopoly. As such, it will be regulated whatever happens. Most of it, though, is subject to competition. "In a competitive world, the concept that customer satisfaction and the shareholders are in conflict simply isn't true. There's a dynamic tension, but a really well-run business is full of dynamic tension – between marketing and production, between sales and accounting. If you don't satisfy the customer, in the end you won't satisfy the shareholder."

Joe Rogaly

Less than sum of its parts



Subsidising coal mines is barmy. Permanent handouts to a dirty industry in long-term decline are indefensible in any economy. In a free market the very idea is inexplicable. Adding yet further subsidies would be positively wicked.

The purpose of keeping pits open is said to be to save jobs. This is true, but it is fear of losing ministers' jobs, not miners', that motivates the government. There are 20 men and two women in the cabinet. A £500m a year subsidy works out at a save-the-job contribution from taxpayers (or electricity consumers) of very nearly £23m per minister per annum. That is a definition of value for money that even Lambeth borough council might question.

The actual cost of the backhander, which Mr Michael Heseltine is expected to announce in a few weeks, may be less than £500m. The latter is merely a figure floating in the air. Yet the president of the Board of Trade maintains that coal is already supported to the tune of £1bn a year. It is not clear whether he is proposing to add to that huge sum, or merely not subtract from it. Either way, he may be obliged to limit the largesse he contrives to transfer from the general population to workers in an industry that should have been shut down long ago.

We do not yet know. We are told that no final decision has yet been taken. That is what most politicians say when they are scared witless by the prospect of being seen to have settled on any of a set of disagreeable options laid out on a list before them. In this instance one of the virtues of delay is that the debate can be held in semi-public, by means of leaks, innuendoes, working papers and parliamentary select committee reports. Meanwhile, Mr Heseltine can do what he is best at. He can soften up public opinion. The entire process is a crutch for scaredy-cat decision-making. The government is free to choose. Choose what? Not the best energy policy. That is not what it is looking for. It is seeking the cheapest, most trouble-free, most survival-proof package that its backbenchers can be persuaded to accept.

This explains why the cabinet has been engaged in what most of us would call a squabble, but Mr Major prefers to look upon as a discussion. The select committee on industry has been similarly divided. Over the weekend those prolific midwives, Ms Inspired Rumour and Ms Purposeful Kite-flying, appeared to assist in the birth of a new consensus. If this holds we will be obliged to pay a political bribe to the coal industry for the next five years, that is, beyond the next election. As a small consolation, the subsidy will be reduced each year. The air will hum with promises. Half the pits scheduled for closure last year will be "saved". There will be much talk of a new energy policy. The eventual result, we will be assured, will be a self-financing, privatised coal industry. The chimneys of power stations that use its products will emit Chanel No 5.

The government's aim in keeping coal pits open is to save jobs – ministers' jobs, that is

It is all short-sighted nonsense, supported by four voluminous studies commissioned by the Department of Trade and Industry and published last Friday. The only piece of foresight in any of these tomes is the last sentence of the report on markets for coal prepared by Caminus Energy Ltd. "The advantage which gas has over coal would be further enhanced if carbon taxes were imposed in order to meet environmental goals to reduce carbon dioxide emissions," says Caminus. The consultants might have added that the optimum medium-term strategy for coal is to stop mining. This view is supported by the evidence in a slim discussion paper on climate change published by the Department of the Environment just before Christmas.

The purpose of that document, presented with some glee by the environment secretary, Mr Michael Howard, is to initiate a debate on how Britain can reduce its CO_2 output. The government is committed, by its signature in Rio last year, to bring emissions of the main greenhouse gas down to 1990 levels by the year 2000. President Bill Clinton made the same promise in his campaign literature. Mr Howard's paper notes flatly that "96 per cent of the UK's man-made carbon dioxide emissions come from the burning of fossil fuels for energy use".

It makes further telling points. Generating electricity from gas produces about half as much CO_2 per unit as does coal. A carbon tax would be "likely to have the greatest impact on energy use by industry". Such a tax has been proposed by the European Community. It is likely to be considered by the new US administration, especially with Vice-president Al Gore around to make his case. Mr Howard, who is one of the ministers who might conceivably succeed Mr Norman Lamont as chancellor, has, however, ducked the issue. Alluding to the whole package of possible government measures to reduce CO_2 emissions, his paper intimated that decisions will be taken in the light of whatever Mr Heseltine gets away with on coal.

A similar po-faced neutrality informs the environment secretary's paragraphs on transport. These show that the worst offender, in CO_2 terms, is road traffic. Public transport creates fewer emissions per passenger kilometre than private cars. The lessons are apparent. Do not commercialise the railways in such a manner that train services are likely to be further reduced. Charge more for petrol, as the Americans eventually will. Introduce toll roads. Use taxes and perhaps tradeable permits to reflect the true environmental costs of various forms of transport.

You can easily deduce most of this, although not in such stark terms, from Mr Howard's little tract. Yet the principles implied do not figure in the government's thinking. The cabinet is preoccupied with the necessities of survival in mid-recession. A parliamentary majority of only 21 and a sorely divided party have emasculated it. The prime minister has "21" engraved on his forehead.

Do not get me wrong. I think that Mr Major will sit in Downing Street for many more years. I acknowledge his government's persistence with its sensible education and health reforms, while regretting its inability to think beyond the troubles on its backbenches. The rest is gloom. For we are saddled with a government of which it must be said that the whole is less than the sum of the parts.

LETTERS TO THE EDITOR

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Freedom for central bank only hope for stability

From Rt Hon Alan Beith MP.

Sir, The attack on the idea of central bank independence by Sir Bryan Hopkin and Sir Douglas Wass (Personal View January 22), which was made more topical by that day's announcement of Eddie George's appointment as governor, was redolent of the 1960s. They even quoted the Bank's responsibility for exchange controls as an argument against its independence, as if this ghost of policies past was about to walk again. They point to the lack of an anti-inflation culture in Britain while at the same time arguing that we should maintain that deficiency by pretending that there is a choice between high unemployment and inflation, and by denying ourselves the one weapon which could institutionalise price stability.

Without making monetary policy the independent responsibility of the central bank, we have no hope of convincing the markets that price stability will be maintained: the political pressures arising from our home loans system and the short term nature of much small business finance will obviously weigh heavily on any chancellor, and if he has the likes of Sir Brian and Sir Douglas advising him, he will be explicitly invited to regard other factors as more compelling than price stability.

Mr George is pleased to have been invited by the chancellor to support the government's policy of defeating inflation. What will he do if the policy changes or if his advice on what is necessary to achieve price stability is ignored?

Alan Beith,
Liberal Democrat Treasury spokesman,
House of Commons,
London SW1A 0AA

Recruitment subsidies likely to have only a marginal impact

From Mr Peter Ashby.

Sir, Your leader on unemployment ("Harsh fare for the jobless", January 22) goes some way towards supporting the introduction of a new safety net of temporary work for the very long-term unemployed. However, you then suggest that employment subsidies might be a "better option". There is much to be said for the government testing out a system of recruitment subsidies to persuade more employers to recruit the very long-term unemployed. We should not, though, expect too much from the offer of subsidies; over the years, surveys among employers have shown that "bribes" are likely to have little more than a marginal impact on their recruitment practices. It would be a mistake if they were to distract us from the need for a new policy framework for the long-term unemployed, based on a two-way contract between them and the government.

The government should be prepared to offer the unemployed temporary work if they are unable to return to employment after 18 months on the register. In return, the long-term unemployed should only receive their income from society as a condition of undertaking this work.

Such an approach commands wide respect among the long-term unemployed, as essentially fair, and immeasurably better than the status quo, which effectively traps many into a life outside the world of work.

If there is any one lesson which we should learn from the severity of the current recession, it is surely that everyone in work, even the most highly skilled, should see themselves as a potential victim of unemployment – and, therefore, potentially a beneficiary of the new contract now needed, so urgently, between long-term unemployed people and society.

Peter Ashby,
Full Employment UK,
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London N16 8DL

Windfall tax would not help unemployment

From Mr Colin Skellett.

Sir, The proposal by the Labour party that utilities should "pay a public dividend (windfall tax) as a result of their excess profits" (Parliament and Politics, January 20) to help generate jobs shows a basic misunderstanding of the finances of the water industry.

More than 70 per cent of Wessex Water's profits are used to help fund new capital investment programmes. Our total expenditure each year exceeds our income by a considerable margin. Every day Wessex Water spends around £300,000 on new capital schemes to meet legally required higher standards and to put right neglect of the past. This expenditure generates thousands of jobs.

While wholeheartedly supporting the desire to reduce unemployment, as far as the water industry is concerned, the Labour party's proposals would have the opposite effect.

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managing director,
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Threat to pits and environment from opencast mines

From Mr Ben Plowden.

Sir, In the debate about a possible subsidy to coal ("Rescue plans may fall foul of EC rules", January 20) it should be noted that one of the principal threats to deep mine production comes from the industry's own corporate backyard, in the form of opencast coal production.

Opencast mining produced around 19m tonnes of coal in 1991, nearly one fifth of total coal production. With around 80 per cent of opencast production going to power generation, opencast and deep-mined coal are in direct competition with one another.

Opencast mining is also one of the most environmentally destructive activities currently carried out in the UK, a view endorsed by the Commons Energy Committee in 1987. The government is currently revising its planning guidance to local authorities which determines the basis on which opencast planning applications are granted. In the CPRE's view this guidance is biased in favour of the industry.

Revised guidance which reflected the environmental damage caused by opencasting would restrict the circumstances in which planning permission could be granted. This would quickly reduce opencast output. The securing of a market for at least 10m-15m tonnes of deep mined coal could thus be achieved quickly, simply and at little or no cost.

Ben Plowden,
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Local programmes offer potential for building ex-Soviet markets

From Mr Kent F Moors.

Sir, Edward Balls' report ("'Bottom-Up' style in fashion for ex-Soviet Reform", January 18), suggesting that reform efforts be focused upon ex-Soviet regions where local governments are more progressive, has parallels with conclusions resulting from our detailed studies of western joint venture investment in the USSR and FSU (former Soviet Union).

For the past two years, in conjunction with the American Soviet Exchange Centre for Applied Theory and Practice at Duquesne University in Pittsburgh, we have tracked the performance and expectations of 623 ventures. These investments involve American, Austrian, British, French, German, Italian, Spanish, Turkish and multinational western European participation in the Soviet and FSU markets since February 1991.

While fewer than than 18 per cent (112) of the ventures are expected to be profitable in the short-term, almost 65 per cent of those (72) are what we term "Limited Local Entry Joint Ventures".

These projects have emphasised co-operation with local/oblast/autonomous region/republic governments prepared to support local reforms; and have expedited protocol supports, favourable currency terms, and support with equivalent industrial site directors and labour representatives.

Such ventures have also identified existing domestic participants in the local markets to be served, and have minimised initial capital commitment requirements. They have also been able to secure adequate fiduciary and banking support because of the focused plans for entry.

There is clearly emerging sufficient evidence to indicate that combining local government reforms with small-scale western investment programmes intent on targeting such progressive markets may well initiate both a positive return on funds committed and a model for broader Russian, Ukrainian, Kazakh, and Baltic market reforms "from the bottom up".

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FINANCIAL TIMES

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An uneven playing field

THE HABIT, common among Europe's governments, of giving handouts to industry has never been good. Such handouts usually waste taxpayers' money and breed a dependency culture among the recipients. But the potential damage of state aid to industry is compounded by the start of the single market earlier this month. The removal of trade barriers means that inefficient companies subsidised by one member state could drive more efficient enterprises elsewhere out of business – exactly the reverse of what the single market is intended to achieve.

The need for an assault on subsidies has never been greater. But the omens for effective action by the European Commission, which is responsible for policing state aid, are not good. First, Mr Karel van Miert, the new competition commissioner, has indicated that he may take a softer line on aid. Second, the deepening recession is leading to clamours for assistance throughout the Community. Finally, the Commission's overall ability to take controversial decisions has been undermined by the widespread feeling that Brussels is interfering in national affairs.

Meanwhile, the balance of opinion among member states is fluid. The UK, which has traditionally taken a robust line against aid, is wavering. Having lobbied the Commission to approve subsidies for its coal industry, it will not be in a position to lecture others for giving excessive handouts. On the other hand, the Italian government, which has been generous with aid, seems to be changing tack and the same could happen in France after March's election.

Subsidy wars

In theory, there should be no problem. Rules banning most types of government assistance to industry are set out in the Treaty of Rome. There is little wrong with the rules and the debate on "subsidiarity" does not, in this area, provide any excuse for giving the power to enforce them to national governments. The only chance of preventing subsidy wars is action at Community and, ideally in the long run, global levels.

But there is still an enforcement problem, because of heavy lobbying by vested interests. The large and often state-owned companies which receive the bulk of aid are effective at extracting assistance from their national governments, which then lobby the Commission for approval. Meanwhile, the general public – who pay for the subsidies in the form of taxes, price rises or unemployment in other parts of the economy – do not know what is going on, because decisions are taken behind closed doors. The result is that even a determined competition commissioner such as Sir Leon Brittan had only limited success in cutting the overall level of subsidies which averaged Ecu89bn a year between 1988 and 1990.

Transparent process

The solution is to make the whole process of policing state aid more transparent. Much of the aid currently approved would probably not survive the full glare of public accountability.

Australia's Industry Commission, an independent body which scrutinises all forms of assistance to industry, is an example of what can be achieved through openness. Before reaching a view, it holds public hearings and publishes consultative documents. It also regularly reviews aid cases after they are approved to assess costs and see whether assistance has had its intended effect. The result of this rigorous and open process has been to cut Australian industry's dependence on state aid by about two-thirds in the last 20 years.

It is doubtful whether there would be political support for establishing a similar institution in the European Community. Even if there were, it could be difficult to ensure its independence from political interference by national governments. But the Commission should certainly take steps in this direction by opening up its decisions on state aid to public scrutiny – which would also help reduce the Community's democratic deficit – and reviewing aid cases after they have been approved. Without action on these lines, Mr Van Miert will have great difficulty creating a level playing field. And, without that, the single market could fall into disrepute.

Privatising British Rail

A POLL TAX on wheels? A privatisation too far? If anything is clear about the government's plans for breaking up British Rail, it is that they threaten to turn into one of the most controversial privatisations yet. With the few faint voices of support drowned by objections from every quarter, it is tempting to conclude that the government has got it badly wrong.

Until last week's publication of the railways bill, the arguments about privatisation had turned largely on the issue of whether fragmentation of the railway was feasible. Many of the rail lobby's attacks on the proposals were lost on a public that cared little about the technicalities of divorcing track ownership from the running of the trains or franchising out the passenger services.

Now, however, with the government signalling its determination to press ahead, passengers are rightly beginning to raise more down-to-earth concerns. Will fares go up? Will lines close? Will services be cut? Will investment slump? Above all, will the railways get better or worse?

These concerns are justified. Railway privatisation is a voyage into the unknown: no other country has yet accomplished it (although Germany, for one, is pursuing a similar course to Britain's). Successive Conservative governments have dithered over it, fearing the political consequences of meddling with an organisation which, while maddeningly inefficient, ranks not much lower in public concern than the National Health Service.

Need for action

And yet, as the government has finally acknowledged in bringing forward its proposals, something had to be done. If the railways were working well, there would be an argument for leaving them alone. As it is, even with some of the highest fares in Europe, they are under-invested; passengers are still too often made to feel as though they are an encumbrance to the running of the railway, rather than the reason for it; and the trains do not run on time.

Privatisation has already raised investment levels and transformed management in many other industries. It could do the same for the railways. But the question that lies at the heart of the public's worries is whether the government has chosen the right way of achieving it – not least since the proposals look so complex that almost no one outside the Department of Transport even pretends to understand them.

Blindingly simple

In truth, the plans are blindingly simple. Rather than attempt a wholesale privatisation, the government has reined back its ambitions in favour of something more pragmatic. On the passenger side, it plans to retain the tracks and, over a period of 10 years or more, contract out the operation of existing train services to private sector franchisees by competitive tender. If there is spare capacity left on the tracks, other companies will in some cases be allowed to run the odd train here and there in competition with services operated by the main franchisees.

In principle, there seems little to fear from such a cautious approach. Ministers say loss-making passenger services (which is to say, nearly all those operated by BR) will continue to attract subsidies, so there is no reason why any should close. When the franchising authority contracts them out, it will be on the basis of today's service levels and fares, so there should be no big changes on either score; and beyond that, minimum services and maximum fares will be laid down for the duration of the franchise.

Yet many issues remain to be resolved before the government can hope to win confidence in its proposals. Ministerial assurances about the franchising regime are not enough: still to come is the small print that reveals exactly how they will work. Similarly, the yet-to-be published plans for the track charging regime will be crucial to the prospects of attracting new services to the railways. Nor is it known how the government is to avoid a damaging hiatus in investment during the transition from the old regime to the new.

Even if the government can satisfy its critics on these issues, it could still be blown off course by its own backbenchers in the present risk-averse climate. That would be more than a pity: for if the government gets it right, its plan presents the best prospect of providing Britain with the attractive and well-run railway it needs.

AT&T is positioning itself to take advantage of the increasing convergence of technologies, says **Martin Dickson**

A window on the world

A bizarre decoration hangs in an otherwise bland executive conference room at the New Jersey headquarters of AT&T's Network Systems business, which makes capital equipment for the telecommunications industry. It is a small, scruffy, four-paned window which would be more at home in a junkyard.

It looks like the creation of a particularly challenging modern artist, though in reality it is an unusual management teaching aid.

Placed on the wall of the windowless conference room by Mr Bill Marx, who heads Network Systems, it is a symbolic reminder to his executives of the need to be looking outwards, trying to anticipate customers' needs.

The window could also serve as a symbol of a remarkable shake-up in the entire AT&T group since the watershed year of 1984. That was when the company, previously a US national telephone monopoly known as Ma Bell, was forced to divest its local telephone operations into seven separate businesses – the so-called Baby Bells – in settlement of an anti-trust legal battle.

Since then, the rump AT&T, which remains the largest long-distance telecommunications business in the US, has been turned from an inward-looking, complacent bureaucracy into an aggressive global competitor.

It is positioning itself to benefit from what may be the most significant industrial upheaval of the next two decades: the expected convergence of telecommunications, computers and video to create a single multi-media industry serving many new markets.

For example, the day may not be too far off when affluent westerners are equipped with wireless, hand-held devices which allow them not just to talk, but see each other in video images, receive and send fax messages, and communicate with computers.

AT&T wants to be a giant spider at the centre of such webs of communications technology, providing equipment, the knowhow to link it up and, most important, the communications network through which to transmit the traffic.

Mr Bob Allen, AT&T's chairman, says it aims to become "the world's best at bringing people together, giving them easy access to each other and to the information and services they want and need – anytime, anywhere".

His global ambitions are being helped by political as well as technological change. Governments are deregulating and privatising their telecommunications services industries, unleashing powerful competitive forces which are pushing national carriers into convoluted networks of global alliances.

Almost every month brings fresh examples of AT&T's vigorous pursuit of its strategy. In September it celebrated the first anniversary of its $7.5bn takeover of US computer company NCR. In November it announced plans to get into the cellular telephone service business by taking a 33 per cent stake in McCaw Cellular Communications, the largest operator in the US, with the option of majority control later.

And over the past few weeks it has forged an alliance with Novell, the computer software group, to develop products linking computer networks with telephones, and has agreed to take a stake in an upstart Canadian long-distance company.

In the age of multi-media, AT&T may have a unique advantage, for it is the world's only information technology company with large interests in three crucial areas – telecommunications services; telecommunications equipment manufacturing, where it serves both the capital and consumer markets; and computers, where the NCR takeover has given critical mass to AT&T's previously loss-making operations.

It also owns Bell Laboratories, arguably the world's finest corporate research and development centre. AT&T is co-developer of a technology for high definition television (HDTV) that could be chosen this year as the US national standard. And Wall Street thinks the group wants to round out its multi-media interests by forming a partnership with a large US cable-TV operator.

Mr Robert Morris, an analyst with investment bank Goldman Sachs, says that, if AT&T can pull off its "communacopia" strategy, "then I don't think there will be any other company in the world which can duplicate what they have done".

Mr Allen, however, is still a long way from proving the strategy a winner. No one knows just how convergence between the industries will work in practice, while AT&T, with a chequered financial record since it divested the Baby Bells, has to show it can deliver strong, sustained earnings growth.

Still, the company is looking more like a winner than at any time since it lost its cosy status as a regulated monopoly. That opened it to fierce competition in the long-distance market from relative newcomers such as MCI Communications and Sprint, while in the equipment market it had to fight for previously captive Baby Bell contracts against foreign competitors such as Northern Telecom of Canada and Alcatel of France.

This was a blessing in disguise, as it shook the company out of the kind of complacency that has led to profound troubles at two other leading US industrial groups – International Business Machines and General Motors. "We look back on divestiture as a springboard for new energy in the corporation," says Mr Marx.

Yet the most radical change in AT&T's deep-seated bureaucratic culture arrived only after Mr Allen took over as chairman in 1988 on the unexpected death of the then incumbent, Mr James Olsen.

Mr Allen, 58 yesterday, looks an unlikely revolutionary. A tall, slim man with a conservative dress sense, soft voice and undemonstrative manner, he is the son of a small business owner from a small mid-western town and has worked inside the Bell system since leaving college. Yet he also has a reputation for strategic analysis, a quietly wry sense of humour and stubborn determination.

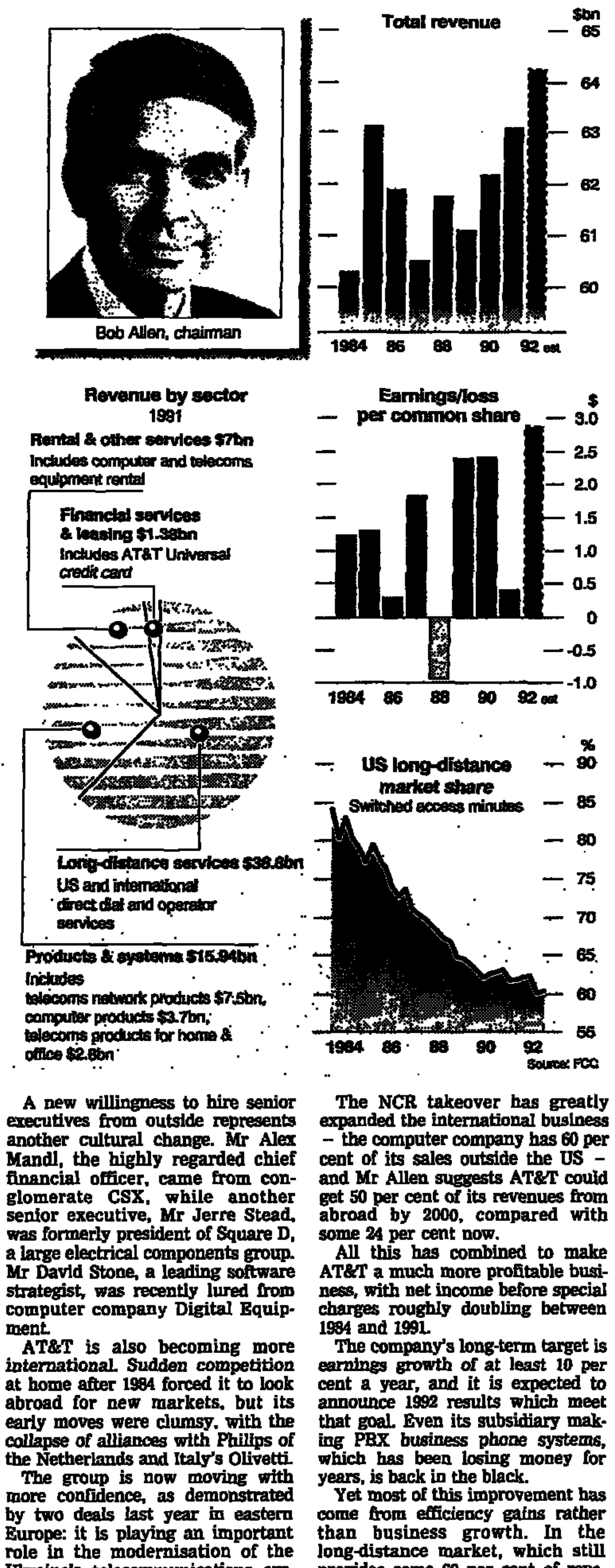
He quickly reorganised the monolithic business into 20 separate product areas and made each responsible for the first time for its own pricing, marketing, product development and profits.

This pointed up where the group was making and losing money and forced individual businesses to focus more closely on cutting fat. Some 60,000 jobs have been axed over the past four years. At the same time, the shake-up has greatly accelerated decision-making, and made the businesses increasingly aware of customer needs.

Mr Victor Pelson, who heads the telecommunications services side of the business, says: "Whereas five years ago we had maybe a dozen people making the fundamental decisions on how to serve a marketplace, today we have literally hundreds. That's an enormous change."

The cultural revolution – not yet complete – has been helped by the fact that more than half AT&T's employees have joined the group since 1984. Most have also been exposed to Total Quality Management – the popular theory that says companies must devote prodigious energies to satisfying their customers.

AT&T: rewards from a cultural revolution



A new willingness to hire senior executives from outside represents another cultural change. Mr Alex Mandl, the highly regarded chief financial officer, came from conglomerate CSX, while another senior executive, Mr Jerre Stead, was formerly president of Square D, a large electrical components group. Mr David Stone, a leading software strategist, was recently lured from computer company Digital Equipment.

AT&T is also becoming more international. Sudden competition at home after 1984 forced it to look abroad for new markets, but its early moves were clumsy, with the collapse of alliances with Philips of the Netherlands and Italy's Olivetti.

The group is now moving with more confidence, as demonstrated by two deals last year in eastern Europe: it is playing an important role in the modernisation of the Ukraine's telecommunications system, and was the first western company to invest in Poland's equipment business.

It has moved the headquarters of its corded telephone business from the US to France. "It took us a while to get it – that to compete in Europe we had to be European," says Mr Robert Kavner, head of Communications Products.

The NCR takeover has greatly expanded the international business – the computer company has 60 per cent of its sales outside the US – and Mr Allen suggests AT&T could get 50 per cent of its revenues from abroad by 2000, compared with some 24 per cent now.

All this has combined to make AT&T a much more profitable business, with net income before special charges roughly doubling between 1984 and 1991.

The company's long-term target is earnings growth of at least 10 per cent a year, and it is expected to announce 1992 results which meet that goal. Even its subsidiary making PBX business phone systems, which has been losing money for years, is back in the black.

Yet most of this improvement has come from efficiency gains rather than business growth. In the long-distance market, which still provides some 60 per cent of revenues and an estimated 80 per cent of income, AT&T's profit margins are thought to be the best in the business, thanks to high productivity and modern, digital technology.

However, its long-distance revenues have been virtually static since 1984, even though the US market has been enjoying solid volume growth – more than 10 per cent a year in the 1980s, dipping to 6-7 per cent in the recent recession.

AT&T has been losing market share to its rivals – on one measure it is down from more than 80 per cent of call volume in 1984 to about 60 per cent now. The effects on revenue have been compounded by a price war in 1990-91 and the insistence of government regulators that the long-distance carriers pass on to consumers cuts in their biggest cost, the access charges paid to local telephone companies to complete calls.

Over the past two years AT&T's market share erosion has slowed as it has adopted a more aggressive marketing stance. This has ranged from price cuts to the launch of its own credit card, offering discounts on calls, which in little more than two years has become the second most widely held card in the US.

US recovery from recession will boost long-distance traffic, but AT&T needs to encourage more intensive use of its network, preferably by customers who need more sophisticated services, which generate higher revenues. This helps explain much of its interest in multi-media as well as the proposed McCaw deal.

McCaw will catapult AT&T from nowhere into the leading position in cellular, the fastest-growing part of US telecommunications, with annual US growth rates of 30 to 40 per cent. The deal has shocked the Baby Bells, which operate rival cellular services to McCaw's, since it potentially brings AT&T into local competition with them for the first time since 1984.

Observers suggest AT&T might eventually try to link its long-distance network directly into McCaw's, thus getting round paying access charges to the local telephone companies. But AT&T says it simply needs a presence in cellular to serve customers, who will increasingly demand integrated communications networks.

The same long-term logic underlay the takeover of NCR, though the initial goal was to use NCR's expertise to turn AT&T's much smaller computer business to profit. Some 18 months on from the merger, the two businesses appear to have gelled well, and the combined group is modestly profitable – a reasonable achievement, given the red ink at many other large computer companies.

It is, however, too early to say whether the merger will develop into more than the sum of its parts, with NCR helping AT&T win contracts for integrated communications and computer networks, and both sides throwing up important new technology ideas.

That said, they have already jointly developed an automatic teller machine that will identify a bank customer by voice, rather than numbers punched in a keyboard. And they are working on one that would allow customers to summon up a bank clerk for a conversation on an ATM video screen.

Mr Gilbert Williamson, the NCR chairman, says the early results from six teams looking at cross-fertilisation makes him "really enthusiastic about the potential".

Still, AT&T's overall strategy could have some big pitfalls. First, the Baby Bells, still the main customers for its telecommunications capital equipment, may be reluctant to buy from a direct, cellular competitor. Nor is it clear that large corporate customers will want to entrust so much of their business to mighty AT&T.

The history of IBM over the past decade shows that huge, integrated technology companies are not necessarily a match for a collection of nimble, niche players.

However, senior executives across AT&T insist that the most successful companies in the coming revolution will be those that can provide simple, transparent solutions to customers' complex communications problems. AT&T, they say, is positioning itself to do just that.

An article on NCR after the takeover will appear on the Management page tomorrow

OBSERVER

Yankees hacked off

How much longer will America be prepared to accept the invasion of its media by journalists from its colonial past? Yesterday Martin Dunn, editor of Today – Britain's fastest growing newspaper – joined the westbound trek.

Dunn had been pinning his hopes on getting the editorship of one of New York's ailing daily newspapers. In the event he has had to make do with the Boston Herald. His owner, Rupert Murdoch, has never had much luck with his US newspapers, and presumably now feels that his best chance of making a success with his sole remaining US daily is to import a former deputy editor of The Sun. It's hard to believe there is no US journalist up to the job.

The Fleet Street invasion is already the subject of serious study. Columbia University is holding a seminar next month entitled "The British are coming", which includes contributions from recent UK imports such as the editors of the National Review, The New Republic and TV Guide. And judging by the latest issue of Spy Magazine, a backlash against foreigners taking high-paying jobs away from Americans is spreading.

Spy, whose co-founding Canadian editor now fills Britain's Tina Brown's spot at Vanity Fair, is concerned that the New Yorker, the city's most famous magazine, now has a London-based theatre critic, a British film critic and a foreign editor of its Talk of the Town column who had never heard of Page Six of the New York Post – a journalistic gaffe equal to not knowing about Page 3 of the Sun.

How long before Washington's bureaucrats sit up and take an interest?

Overdue

■ With Virgin Atlantic and British Airways bosses puffing on the peace pipe last night at Richard Branson's grand Holland Park home, the guillotine baskets remain woefully empty. Brian Basham, the public relations consultant temporarily hired by BA and quickly embroiled in Virgin's "dirty tricks" allegations, so far is the only persona non grata at Speedbird House. His role, however, is likely to be immortalised in the latest catchphrase in the rough, tough airline world: "If you can't beat 'em, Basham".

Waltzing Matthey

■ Take your partners please for the Johnson Matthey waltz. Suitors, stakeholders and others interested in the future of one of the most famous precious metals groups are taking sides in what promises to be one of the more complicated takeover routines of the season.

'What if we half save all the pits?'

Merchant bankers Hambros and Barings are already stepping out with Charter Consolidated and Johnson Matthey, and SG Warburg made its debut yesterday at the bottom of a Minorco press release.

Given that Peter Wilmott-Sitwell, chairman of SG Warburg Securities, has recently gone on to the Minorco board, Warburg's return to centre stage is no great surprise. Britain's premier merchant bank and South Africa's Anglo American Corp have been getting closer and closer together and Anglo holds the key to JM's future.

This latest liaison presumably leaves out in the cold Morgan Grenfell, Minorco's banker during the infamous Consolidated Gold Fields bid, and raises the question of whether Warburg's arrival will result in James Capel, Minorco's broker, being jilted. However, all is not lost, Johannesburg Consolidated Investments may still be looking for a merchant banker to partner its broker, Smith New Court.

Bear-baiting

■ After years of profiting from falling share prices, the Feshbach Brothers of California, the most famous short-sellers in the US, have begun buying stocks – a U-turn comparable to Prince Charles announcing that he is forsaking polo for the game of darts.

Although they made millions of dollars in the 1980s by searching out companies on the brink of disaster and selling their stock short, the three brothers have been hard hit recently by the steady upward climb of US stock prices. In 1991, when US equities rose sharply, Feshbachs' clients lost between 40 and 60 per cent in value. Last year, rising share prices again left the Feshbachs nursing losses.

Consequently, they have decided to buy stocks as a hedge against further advances in the market. At first glance, this strategic shift looks like a vote of confidence in equities. It might, however, be worth taking a contrary view on this one. When the most famous bears in the business announce they are buying stocks – is not this the right time to be getting out of the market?

Serious money

■ For years popular newspapers bludgeoned their readers with £1m bingo games in a desperate drive for circulation. Now it seems such promotional gimmicks are spreading upmarket. Faber & Faber, one of Britain's more high-minded publishers, is about to join in.

It is offering book-buyers the chance to win £1m. Naturally Faber has insured itself against the unlikely chance of a reader actually becoming a millionaire by placing a covering bet with Ladbrokes.

Ironically, just as Faber is about to give away big money, The Sun is offering readers security rather than dreams of untold wealth. In a clear sign that the recession and pessimism are biting into the national psyche, editor Kelvin MacKenzie is offering his readers £10,000 in accidental death cover "in case you fall under a bus".

There's no mention of a raffle with a 100-1 chance of turning it into £1m insurance cover.

Take it away

■ A question for all those who enjoy Chinese puzzles. What is the odd one out – 3,16,24,58?

The answer is 58, of course; all the others come with rice.

FINANCIAL TIMES
Tuesday January 26 1993

Battle of the sexes over pensions

Employers anxiously await today's court decision, writes Norma Cohen

MEN and women may have been created equal, but their pensions have not, as the European Court of Justice is about to hear. Today, three cases, one each from Britain, Germany and the Netherlands, come before it, and the decision will spell out for employers all over Europe exactly how they are to equalise men's and women's pensions.

The court took a landmark decision in May 1990, broadly saying that men and women must receive equal pensions because these are a form of pay, and sex may not be used to determine pay.

However many issues remain outstanding. Since the second world war most European employers have set a lower retirement age for women, in effect giving them more generous pensions than their male counterparts. An entire framework of state, occupational and personal pensions has grown up around that concept, which lasted until the court ruled it violated the anti-discrimination statutes of the Treaty of Rome.

The British case, to be presented by Sir Nicholas Lyell, UK attorney-general, pits the male and female pension scheme members of Coloroll, the collapsed home furnishings group, against each other, with each arguing for different interpretations of equality, to get the maximum share of the fixed funds available.

COST OF RETROSPECTIVE SETTLEMENT OF PENSION SERVICE COSTS*

	Belgium	Germany	Netherlands	Rep of Ireland	UK
Ecus (bn)	1.8	12	47	0.2	28
As % of GDP	1.2	1	26	0.6	3.7

*Estimates based on the broadest definition of retrospection, covering all amounts due, according to the March 1990 ruling, to all current pension recipients backdated to the date when they first received a pension payment

Source: Watsons Europe

The German case, Meroni v Collor, asks the court to decide the issue of retrospection – how far back in time higher pension payments to men will have to be made – while the Dutch case, known as TenOever, asks if it is fair to offer pensions to members' widows but not their widowers.

The cases address two basic issues: first, since the court decided that differential pensions are illegal only in May 1990, what about pension benefits accrued or paid before then? The EC commissioned a survey which concluded that if pensions in payment had to be equalised retrospectively, it could cost British and German employers up to £50bn ($76bn) each, with somewhat more modest sums for employers in Ireland, Belgium and the Netherlands.

That sobering assessment led EC member states to tack a protocol on the Maastricht treaty declaring retrospectiveness in occupational pension payments should only apply to service after May 1990, the date of the court judgment. With the fate of the Maastricht Treaty in the air, European employers are anxiously watching the court proceedings.

Lawyers familiar with the proceedings say the European Commission has filed a brief in support of the narrowest definition of retrospection.

This will weigh considerably with the court, but is not definitive, thus reducing the chances that employers will be saddled with a hefty bill for retrospective pension payments.

The court must also decide on an issue which will have great significance for the nascent personal pensions industry throughout Europe. If men and women must receive equal pension benefits, what happens in so-called money purchase schemes which take into account the average longer life spans of women?

In these schemes, employers provide a lump sum on retirement to be used to purchase an annuity from a life insurer. But a woman investing the same sum as a man at the same age will receive lower monthly payments since she is expected to live longer.

To provide equal monthly payments, employers would have to give larger lump sums to women, or insurers would have to adopt unisex rates.

Mr John Cunliffe, partner at solicitors McKenna and Co, one of the firms presenting the British case to the court said: "In money purchase schemes, do you take into account that women live longer than men? That's it in a nutshell."

Mr Cunliffe cites Denmark, where employers are allowed either to pay higher premiums for women so that they can buy the same level of benefit as men on retirement or insurance companies are allowed to pay lower benefits for the same premium.

In the US, the Supreme Court has ruled that differential insurance benefits based on sex are illegal. "They ruled that while on average women live longer than men, it cannot be proved that any one woman will live longer than any man. Thus, you have to offer the same benefits for the same premium," Mr Cunliffe explained.

THE LEX COLUMN

Muddled about money

The conflicting signals in yesterday's money supply data provide a perfect excuse for the chancellor to do nothing about interest rates for the time being. While M4 growth has fallen below its target floor of 4 per cent, the narrow M0 measure looks set to rise above its ceiling this month. Together with the cheerier news on confidence emanating from the CBI, that goes some way to offsetting last week's gloomy news on employment, production and retail sales.

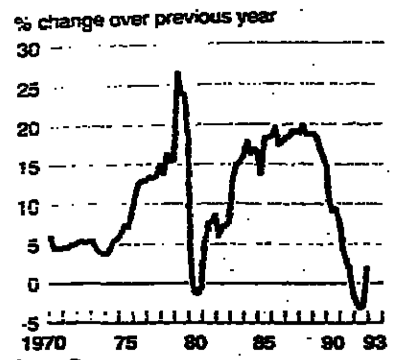
Even if the economy is not in a desperate plight, though, it is hard to discern anything more than anaemic recovery. Consumers may be prepared to spend a little more of the real wage increases they are enjoying if they are still in work, but only when they are offered discount prices and not if it means going into debt. The weakness of bank lending is particularly striking. It seems to confirm that, while some prices are moving in response to devaluation, there is little demand-pull inflationary pressure in the pipeline. M0 may have breached its target, but the ceiling was unduly low in the first place.

That leaves room for interest rate cuts at some stage, perhaps after the Bundesbank's intentions are clearer. The money supply trend creates an opportunity for the government to relax the rules preventing sales of gilts to banks being counted towards PSBR funding. The move would only reduce the flow of gilts, however, if banks could be persuaded to buy more paper. All the more reason to steepen the yield curve by cutting short-term rates.

FT-SE Index: 2771.9 (-9.3)

UK dividend growth

% change over previous year



Source: Datastream

Sears Roebuck

Sears Roebuck's decision to to pull out of catalogue retailing at least proves that the company is no longer sentimental about the business which made it great. It seems Mr Arthur Martinez, brought in last year to give the backward-looking giant a fresh perspective, can carry the board on tough issues. Last autumn's announcement that the financial services operations were to go has now been followed by closure of the worst stores and some sensible cost-cutting.

But these defensive measures do not add up to a strategy. The core business has been squeezed between discount retailers and specialist stores. Previous initiatives such as everyday low pricing of goods have failed to halt the decline – as UK imitators such as Kingfisher might care to note. Focusing on a smaller area may concentrate management minds, but there is as yet little evidence of the required retailing spark. Sears apparently wishes to expand its women's wear operations, which have improved substantially in recent years. Yet that will bring it into even closer competition with its rival J.C. Penney in a fiercely fought market.

One priority must be to get rid of the company's staid image. That will require top management to modernise the stores and, more importantly, the culture of Sears' army of sales staff. Such strategic shifts are tough. Changing the public image of a retailer is the hardest task of all.

NFC

As the market was quick to appreciate yesterday, NFC will receive a boost if the disposal of its waste management business goes ahead at the indicated price of around £100m. Although the rubbish market has become highly fashionable of late, NFC would have to invest heavily to ensure its subsidiary's continued success. Its money could be better spent expanding its core distribution businesses. A gearing ratio of 55 per cent currently constrains these ambitions. This disposal would restore its flexibility by halving net debt.

Whether Wessex Water and the US-based Waste Management are as wise to contemplate paying such a hefty sum is another matter. The mooted price represents a spectacular premium for a business which may make profits of less than £4m this year. The worry is that Wessex Water will overpay in its determination to expand into areas which escape the industry regulator's gaze – although Waste Management's record suggests it would temper any such impulse. Nevertheless, water companies are still struggling to prove the value of diversification. Certainly, Severn Trent's purchase of the Biffa waste business has yet to prove its worth.

UK dividends

The conventional view of the relationship between equities and gilt-edged stock suggests the former are currently cheap since they yield half as much as gilts. The yield ratio is at the bottom of a range that traditionally fluctuates between 2 and around 2.5. According to a paper written for the Institute of Actuaries by Mr Peter Jones of James Capel this view is flawed since it ignores changes in the rate of dividend growth.

Equities strongly outperformed gilts during the 1980s because dividend growth constantly surprised even professional investors. Now there is a tendency to assume that high growth rates are normal. Yet if, despite the exit from the ERM, the UK is entering a period of low growth and inflation, dividend growth may start to disappoint. The yield ratio would then be sending a different message.

The harder question is where the boundaries should be set. Mr Jones believes dividend growth would have to return to around 6 per cent by 1994 to justify present equity valuations. That looks plausible on the basis of a rebound of earnings after the recession, but touch-and-go when present levels of dividend cover and the likely trend of nominal GDP are taken into account. There may yet be grounds for switching into gilts, especially by pension funds that are heavily overweight in equities.

BA

A cosy chat and a cup of tea seem to have thawed the frosty relations between Mr Richard Branson and Sir Colin Marshall. Although Virgin may yet press ahead with a claim against BA for up to £20m in lost revenues, the airline appears keen to call an end to the time-consuming dispute. The alternative prospect of convoluted anti-trust legislation in the US has little appeal. BA may thus struggle through without much further embarrassment. Shareholders can then get back to worrying full-time about BA's sickly passenger figures.

Pressure in Japan for lower rates

By Robert Thomson in Tokyo

PRESSURE on the Bank of Japan for a cut in official interest rates intensified yesterday, as the bank's regional branch managers gathered in Tokyo to discuss the impact of the country's economic slowdown.

The depth of the downturn was emphasised by the release of figures showing a 3.3 per cent fall in department store sales last year, the first year-on-year decline since the Japan Department Stores' Association began collecting national data in 1965.

The Real Estate Economic Institute said meanwhile that apartment sales last year were down 11.6 per cent to 75,173, the lowest total since 1976 and about half the figure for 1990, when property speculation peaked. The average price of an apartment fell 12.3 per cent to Y39.38m ($317,500).

Officials of the ruling Liberal Democratic Party and business organisations called on the Bank of Japan to reduce the official discount rate (ODR) from the present 3.25 per cent to 2.75 per cent or even 2.5 per cent to stimulate the flagging economy and bolster a still weak stock market.

Mr Yasushi Mieno, the bank's governor, admitted that economic conditions were "severe" but said a promised increase in public works spending should assist in reviving demand.

However, it is understood that many regional branch managers in Tokyo for the two-day meeting are advising that an ODR cut should come quickly.

The central bank has been surprised by the erosion of consumer confidence in recent months, a trend highlighted by the department stores' sales statistics. Sales fell 8.1 per cent in December, compared with the same month a year earlier, suggesting that consumer confidence is weakening, partly due to a cut in year-end bonuses and a decrease in overtime payments.

The ODR was last cut in July last year, and Bank of Japan officials are concerned that the expectation of another cut is prompting consumers to delay planned spending.

Erich Mielke, former head of East Germany's Stasi security police, peers through a gap in the protective screen he sits behind at his trial in Berlin. He is accused of killing two policemen

Danish foreign minister makes Yes to Maastricht a priority

By Hilary Barnes in Copenhagen

MR Niels Helveg Petersen, who took over as foreign minister in Denmark's four-party coalition government yesterday, said his top priority will be to secure a Yes to the Maastricht treaty on European union in the second Danish referendum, to be held later this year.

"I regard it as my foremost task to achieve a Yes in the referendum and to ensure that the Danish presidency of the European Council is carried out satisfactorily," he said yesterday.

"We shall make every effort to see that the presidency, which has been well prepared, goes well."

Mr Petersen, 54, is the most senior cabinet appointee from the Radical Liberals, one of the small centre parties in the new ruling coalition. He will play a significant role in the European Community during the six-month EC presidency which Denmark assumed at the start of the year.

He succeeds former foreign minister and Europe enthusiast Mr Uffe Ellemann-Jensen. The new cabinet was announced yesterday by Mr Poul Nyrup Rasmussen, the new prime minister and chairman of the Social Democratic Party.

Mr Petersen, who was elected to the Folketing in 1966, said the new government had not set a date for the referendum but he thought "before June" was likely.

His Radical Liberal Party has a record of being sceptical towards European integration, but the foreign minister said that he had advocated a Yes to the Maastricht treaty in last year's referendum.

As a member of the Radicals, he opposed EC membership in 1972 and the single European Act in 1986, but now supports the country's European policy.

Mr Petersen, who was economics minister in 1988-90, has Brussels experience as top aide to Denmark's first EC commissioner, the late Finn Gundelach, from 1974-77.

The new cabinet is the largest in Denmark's history, with 24 members. Several ministries have been split up to create enough portfolios to meet the requirements of the coalition of the SDP, the Radicals, the Centre Democrats and the Christian People's Party.

Key posts in addition to the foreign ministry went to Mr Mogens Lykketoft, SDP, a former tax minister, at the ministry of finance, Mr Bjorn Westh, SDP, at agriculture and fisheries, Mr Svend Auken, a former leader of the SDP, environment ministry, and Mr Hans Haekkerup, SDP, ministry of defence.

Cancer vaccine tests to start

Continued from Page 1

EBV, the CRC will move on to extensive field trials in China and/or Africa in collaboration with a commercial vaccine manufacturer. "It may be 10 years before we can show clearly that the vaccine prevents cancer," Dr Arrand says. But he foresees a time when EBV vaccine will be administered routinely worldwide as an ingredient of the childhood vaccination cocktail.

Prof McVie says viruses are now known to cause at least a fifth of all cancers, often in association with dietary or environmental factors.

Apart from EBV, three other cancer-causing viruses have been positively identified.

Sears closes catalogue

Continued from Page 1

● Closure of the catalogue operation, based in Skokie, a Chicago suburb. This move accounts for $800m of the $1.7bn restructuring charge. Sears will, however, retain its profitable "direct response" business, a more streamlined form of mail order.

● Closure of 113 of Sears' smaller retail outlets, plus disposal of its 35 Pinstripes Petites women's speciality stores.

● Further job cuts, through an accelerated consolidation of various administrative functions, plus a voluntary early retirement incentive programme.

● The "repositioning" of major merchandise lines and service support operations.

World Weather

		°C	°F
Ajaccio	C	15	59
Algiers	F	15	59
Amsterdam	C	5	41
Athens	S	17	63
Bahrain	S	15	59
Bangkok	F	34	93
Barcelona	C	11	52
Beijing	S	6	43
Beirut	F	17	63
Belfast	C	2	36
Belgrade	C	13	55
Berlin	H	3	37
Biarritz	R	12	54
Bombay		-	-
Bordeaux	F	12	54
Boulogne	F	6	43
Brussels	F	3	37
Budapest	S	9	48
Buenos Aires	R	30	86
Cairo	F	17	63
Cape Town	S	27	81
Caracas	C	28	82
Casablanca †	S	17	63
Chicago †	S	-8	18
Cologne	C	3	37
Copenhagen	C	2	39
Corfu	F	14	57
Dallas †	S	1	34
Dublin	C	5	41
Dubrovnik	C	12	54
Edinburgh	S	1	34
Faro	S	17	63
Florence	F	11	52
Frankfurt	F	4	39
Geneva	C	9	48
Gibraltar	S	17	63
Glasgow	S	2	36
Helsinki	Sn	-4	25
Hong Kong	S	16	61
Innsbruck	R	7	45
Inverness	F	2	36
Islamabad	F	28	17
Istanbul	S	14	57
Jakarta	R	30	86
Johannesburg	C	24	75
Lisbon	S	14	57
London	C	5	41
Los Angeles †	F	14	57
Luxembourg	C	3	37
Madeira	S	18	64
Madrid	S	8	46
Majorca	F	15	59
Malaga	S	12	54
Malta	F	15	59
Manila	F	31	88
Melbourne	C	17	63
Mexico City	C	23	73
Miami †	F	23	73
Milan	Fg	5	41
Montreal †	C	-7	19
Moscow	F	-7	19
Munich	F	5	41
Nairobi		–	–
Naples	C	13	55
Nassau	C	27	81
New Delhi	S	19	66
New York †	S	2	36
Nice	S	14	57
Nicosia	C	15	59
Oporto	S	9	48
Oslo	S	-2	28
Paris	C	6	43
Prague	F	3	37
Reykjavik	F	1	34
Rhodes	F	15	59
Rio d'Janeiro	C	36	97
Rome	F	14	57
Salzburg	F	2	36
S'Francisco †	S	7	45
Seoul	F	5	41
Singapore	F	30	86
Stockholm	F	-3	27
Strasbourg	F	6	43
Sydney	C	22	72
Taipei	R	15	59
Tangier	S	16	61
Tel Aviv	F	15	59
Tenerife	S	19	66
Tokyo	R	6	43
Toronto †	S	-5	23
Tunis	F	16	61
Valencia	S	14	57
Venice	Fg	4	39
Vienna	F	4	39
Warsaw	C	3	37
Washington †	F	0	32
Zurich	F	5	41

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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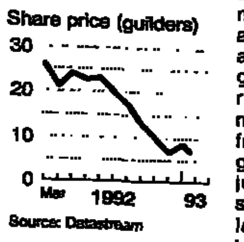
INSIDE

Porsche board names new head

Mr Helmut Sihler, former chairman of the management board at Henkel, the German chemicals group, was yesterday nominated as head of the Porsche supervisory board in succession to Mr Ferdinand Porsche, who remains a full member of the board. Page 18

Daf shares suspended



Source: Datastream

Shares in Daf, the Dutch commercial vehicles maker, were suspended at Fl 7.20 before the announcement by the group later today of restructuring plans. The market is expecting aid from the Dutch and Belgium government in conjunction with job and staff cuts. Forecasts of lower earnings by chemical and pharmaceutical groups depressed markets across Europe. In Amsterdam, the CBS Tendency index closed down 0.9 at 98.0. Back Page

Bankers flock to Rome

Investment bankers are flooding to Rome as plans to privatise companies in Italy's state sector take shape. The government hopes to raise L27,000bn ($18.5bn) in the next three years through asset sales, while IRI, the state holding company, is budgeting on a further L24,000bn as a means of reducing borrowings. Page 20

Uzbekistan takes charge of gold

Since independence a year ago, Uzbekistan has kept its entire 70-tonne annual gold production, instead of sending it to Russia as it was forced to in the past. Now President Islam Karimov may have decided to do a deal to turn the industry around. Page 24

Bankers Trust rises 24%

Bankers Trust, the New York banking group, reported a 24 per cent rise in fourth-quarter 1992 net earnings, to $170m, or $1.97 per share. Page 19

US exchanges join operations

Two of North America's oldest and largest futures exchanges announced yesterday that they will join operations. Page 24

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Lahmeyer	649	+	21
Leifheit	395	+	10
Falls			
AEG	160	–	5.8
BMW (Br)	501.5	–	15.3
Degussa	343	–	17
Philips Kommun	510	–	20

NEW YORK ($)

Rises			
Exxon	60⅛	+	2
Intel	114½	+	3
Sears	50⅞	+	2
Texaco	60¼	+	2⅛
Falls			
AMR	64¼	–	1¾
Delta	50⅞	–	¾

New York prices at 12:30.

PARIS (FFr)

Rises			
Radiotechn	265.1	+	8.1
Roussel-Uclaf	468	+	26
Falls			
AGF	520	–	20
Cap Gemini S	143.9	–	7.3
Elf Aquitaine	324.3	–	16.5
UAP	483.5	–	20.5

TOKYO (Yen)

Rises			
Jomo Twisting	225	+	14
Sapporo Lion	1400	+	90
Taisei Fire	545	+	42
Falls			
Ansawa Mfg	530	–	39
Ensuiko Sugar	480	–	35
Yamato Kogyo	1230	–	90

LONDON (Pence)

Rises			
Boosey Hawkes	1175	+	95
Brit Aerospace	227	+	12
Budgens	47	+	2½
Cullens	12½	+	2
EFT	22	+	1½
Elbief	26	+	6
Haynes Pblsng	263	+	29
Higgs & Hill	58	+	4
Midlands Radio	128	+	16
Mid-States	49	+	4
MITIE	224	+	15
Radius	50	+	6
Shaftesbury	58	+	6
Stylo	125	+	17
Watts Blake	455	+	22
Westland	128	+	7
Falls			
AIM	145	–	13
ASDA	85½	–	3
Birkdale	24	–	6
Brent Walker	12	–	4
Clarkson (H)	58	–	10
Euro Disney	780	–	30
Excalibur	8½	–	2
Glaxo	695	–	17

Exxon earnings jump 25% in the fourth quarter

By Karen Zagor in New York

EXXON, the world's biggest integrated oil company, yesterday unveiled an unexpected 25 per cent improvement in fourth-quarter earnings, helped by lower operating costs and strong US natural gas prices.

Net income for the last three months of 1992 was $1.4bn or $1.12 a share compared with earnings of $1.12bn or 89 cents in 1991. Revenue eased from $31.02bn to $30.16bn.

Analysts had expected Exxon to earn about 96 cents a share in the latest quarter.

On Wall Street, shares in Exxon rose $1⅞ to $60 at mid-day. The stock price was bolstered by news that the Organisation of Petroleum Exporting Countries was close to an agreement on a proposal to cut production by up to 1m barrels a day.

Mr Lawrence Rawl, chairman, said three-quarters of Exxon's earnings in 1992 came from outside the US.

In the fourth quarter, foreign upstream earnings rose 20 per cent to $845m, including one-time credits of $56m. US upstream earnings stood at $187m, up $30m, including one-time charges of $91m. Total exploration and production earnings climbed 19 per cent to $1.03bn from $863m.

Lower operating expenses and higher petroleum product volumes lifted earnings from refining and marketing operations by 61 per cent from $260m to $420m.

Earnings from chemical operations dropped to $56m, including $15m on non-recurring charges, from $94m last year.

During the quarter, Exxon cut capital and exploration spending to $2.57bn from $2.73bn a year earlier.

For the whole of 1992, Exxon's net income fell 15 per cent to $4.77bn, or $3.79 a share, from $4.6bn or $4.45. Mr Rawl attributed the erosion to unusually favourable market conditions the previous year.

The company adopted new accounting standards in 1992 which reduced earnings by $40m after tax, or 3 cents a share. Revenue for the year was flat, at $116.48bn against $116.49bn.

Foreign exploration and production operations brought in $2.61bn for the year against $2.5bn a year earlier. US exploration and production profits rose from $628m to $764m.

Income from US refining and marketing dropped from $514m to $156m, while earnings from foreign refining and marketing tumbled from $2.04bn to $1.42bn.

Merrill Lynch to stop retailing Japanese securities

By Robert Thomson in Tokyo

MERRILL Lynch Japan, the local subsidiary of the US securities house, will close three of its six branches, ending an ambitious drive to establish a strong presence in the Japanese securities' retail market.

The US broker, which plans to shift retail resources to its institutional business, has suffered, with Japanese brokers, from the fall in trading volume and prices on the Tokyo exchange over the past three years.

Merrill Lynch's move to close branches in Kyoto, Kobe and Yokohama is part of a restructuring of Japanese operations by foreign brokerages. Last month, County NatWest, the securities arm of National Westminster Bank, gave up membership on the Tokyo exchange.

Individual investors have been net sellers for the past two years in Japan, while non-financial companies have left the market in large numbers, draining the pool of potential customers.

"This is the end of the retail experiment by foreign houses in Japan," a UK broker said. "You can see why Merrill would go for the retail market here because it is strong in the US retail market, but it has not worked."

In addition to operations in the three largest Japanese cities, Tokyo, Osaka and Nagoya, the US broker opened the Yokohama branch in 1988, the Kyoto branch in 1989, and the Kobe branch in 1991, by which time the Tokyo market was well into its descent.

Merrill Lynch said the changes in Japan were part of an international strategy to focus on institutional-type investors and profit from their interest in the derivatives and yen-debt markets.

"We are still deciding exactly when the branches will be closed. We had been hoping for more business from small and mid-sized companies and wealthy individuals, but we will be shifting resources more to institutional business," Merrill Lynch said.

Tokyo stock prices fell 26.4 per cent last year, while the daily average volume on the exchange's first section was 264.9m shares, the lowest since 1977 and a quarter that of the bubble year of 1988. Volumes are still falling, with 170m shares traded yesterday.

A foreign broker congratulated Merrill Lynch for retreat from the retail market, saying it had taken the sort of decision that loss-making Japanese brokers had avoided.

Bols and Wessanen open door to more merger candidates

By Ronald van de Krol in Amsterdam

THE MERGER between Bols, the Dutch spirits, wine and beverages group, and Wessanen, the Dutch foods group, is designed to produce a big new European drinks company, including further mergers, possibly with a partner outside the Netherlands.

The two companies, which unveiled the terms of their share swap proposal yesterday, said the new company, to be called Bols Wessanen, would create a "docking station" for potential future merger candidates.

"The door [to talks] is open, and they don't even have to knock to be admitted," said Mr Peter Bakker Schut, chairman of Wessanen. A round of mergers would be welcome in the coming year, although no talks were taking place, he said.

Last week, Bols and Wessanen were forced to announce merger talks after rumours about a deal had leaked on to the floor of the Amsterdam stock exchange, prompting the bourse to launch an insider trading investigation. The merger will create a company with turnover of Fl 4.8bn ($2.7bn) and a workforce of around 9,000.

The merger proposal, which the companies describe as a tie-up between equal partners, calls first for Wessanen to make a 2.5-for-one share split to reduce the nominal value of its shares to Fl 2, matching that of Bols'. Wessanen will then offer 1.185 new shares for each share in Bols. The prospectus will be published in the first two weeks of March, with the deal to be completed a month later.

Wessanen's shareholders will own 54.5 per cent of the new company against 45.5 per cent to be held by Bols' shareholders, reflecting Wessanen's slightly bigger operating profit, net profit and market capitalisation.

Replying to some analysts' comments that they saw little industrial logic in the move, Mr Bakker Schut and Mr Robert Schipper, the chairman of Bols, said the two companies had converged over the past 10 years.

Together, they would be able to consider acquisitions of between Fl 200m and Fl 400m a time rather than the current Fl 100m. Bols Wessanen would also have a better currency and geographic spread, with its turnover evenly divided between the US and Europe compared with Bols, with 90 per cent of its sales in Europe, and Wessanen, with 65 per cent of its sales in the US.

Christopher Parkes analyses change at Europe's leading carmaker

VW may be last to run from the Japanese bear

Volkswagen's withdrawal last week from Swatch-Mobil, a development project for a high-fashion fun car, illustrates two topical points about Europe's leading motor manufacturer: this is no time for either extravagance or frivolity.

The fact that VW, which is to invest an average DM9bn ($5.6bn) annually for the next five years in its vehicles operations, balked at paying a mere DM50m a year to continue work on a promising micro-car in collaboration with the Swiss watch industry, showed how closely costs are being scrutinised.

It provided few clues, however, to VW's responses to the bigger questions being asked: how the group will reverse increasing operating losses in the core Volkswagen division (DM1bn last year), reinstate itself in the US market where it has less than 1 per cent of market share, correct its German plants' relative cost disadvantages estimated at $1,000 a car vis-à-vis the Japanese, compete effectively while the D-Mark is stuck at unhelpful exchange rates, deal with the domestic demand slump, and at the same time face up to the Japanese threat.

All German carmakers face similar long and short-term issues, but VW is the only one not yet to present something resembling a coherent response. The new chairman, Mr Ferdinand Piëch, was widely expected to correct this after the extended Christmas holiday.

However, little has emerged apart from shuffling and fudge. A supervisory board meeting resulted in modest cuts and unclear postponements in the group's medium-term investment plan. The personnel director, responsible for this year's 5 per cent pay award (compared with less than 4 per cent in other sectors) was moved sideways.

Mr Piëch's admirers had looked forward to the announcement of a grand design comprising sweeping job cuts – in the cumbersome management hierarchy, on the board as well as the shop floor – and plans, at least in outline, for an overhaul of manufacturing methods.

By most estimates, VW's German manufacturing operations are carrying 50,000 surplus workers. Its flagship Wolfsburg works is regarded as a white elephant and a quality-control disaster zone. Annual sales per employee of DM286,000 in 1991 compared poorly with DM476,000 at Adam Opel, the General Motors' subsidiary, and Ford-Werke's DM466,000.

Mr Piëch is acting more slowly than was anticipated of a man who came from Audi proclaiming: "How can I be patient while Japanese manufacturers' costs are 30 per cent better than those in Germany?" A little patience is necessary, however, while VW's new chief comes to terms with Mr Franz Steinkühler, head of the powerful IG Metall metal-workers' union.

Not only does VW management have to negotiate pay and conditions deals with Mr Steinkühler's team, it also has to live with him as a senior member of the supervisory board. In a boardroom alliance with representatives of the Lower Saxony government – a Social Democrat/Green coalition that controls 20 per cent of VW shares – the union boss represents a formidable opponent to radical change, especially job losses.

According to Mr Louis R Hughes, former head of Opel, General Motors' German subsidiary, the German industry workforce should be cut by half – 450,000 – during the next few years. Even the most modest estimates say 200,000 workers must go to retain competitiveness.

The main reason for change is the build-up of low-cost Japanese capacity in European transplant works, which are expected to be capable of producing up to 2m cars a year by the end of the century (compared with 5.3m from German manufacturers). About 750,000 will be aimed at the market segments where Germany is most strongly represented.

There is a further, potent force at work: recession, which has paradoxically presented indigenous manufacturers with an opportunity. It gives management a chance to hasten changes in political and popular attitudes. That is essential if structural adjustments are to happen with the minimum disruption.

Job cut plans, announced by almost all German carmakers a year ago, have been accelerated. Short-time working is in operation in most plants, and VW and Opel have sought to drive home the none-too-subtle message to the workforce with extraordinarily grim forecasts of falls in German and European demand for cars this year of up to 20 per cent and 10 per cent respectively.

These measures will have compounded the shock effects of recent investment decisions – BMW to open its first foreign plant in the US, Mercedes' cancellation of a DM1bn truck plant in eastern Germany and Audi's choice of Hungary instead of eastern Germany for an engine parts works.

In that climate, negotiations to postpone a further one-hour cut in western engineers' working week and to water down a deal to give their eastern colleagues full-pay parity by next year have more than a fair chance of success.

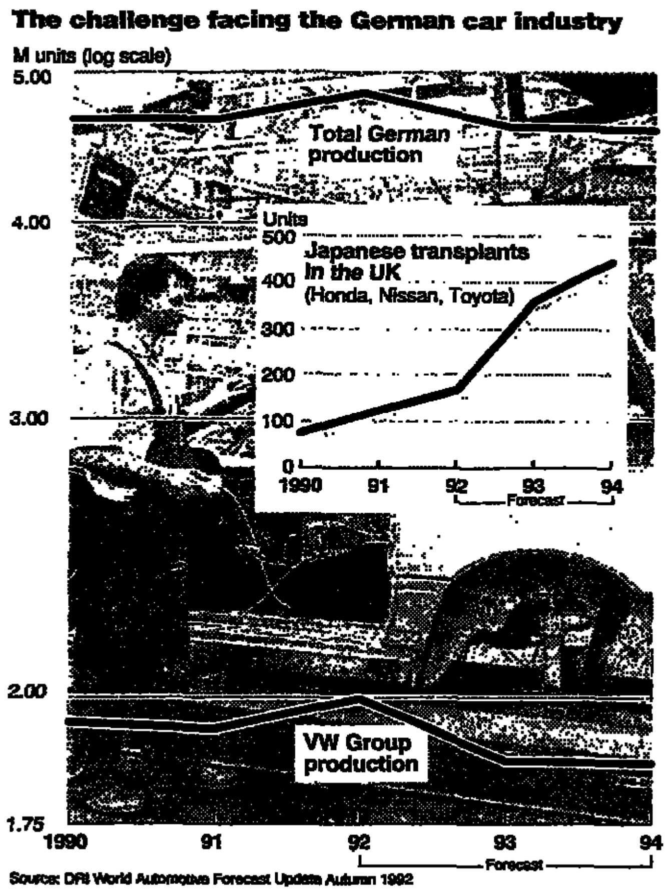
If the employers win, it could signal the start of the adjustment in attitudes demanded by Mr David Herman, fresh from Saab as successor to Mr Hughes. Shocked by 10 per cent absenteeism at Opel, where 3,500 production workers fail to turn up every day, he said it was time to start thinking and acting in global terms. "In terms of productivity, labour costs, working hours and absenteeism, the German economy has fallen steadily behind its most important competitors for the past six years," he added.

Opel, like Ford-Werke, has drawn heavily on its parent's experiences with the Japanese back home in adjusting its German cost base and manufacturing methods. As part of its reward, and part of the price VW has paid for its lack of attention to domestic matters, it has won market leadership in eastern Germany. Not so long ago, Germans used to enjoy their jokes about the Opel. It was a car for proles: "Jeder Popel braucht sein Opel."

Mr Hughes made his own joke about the German car industry as he prepared to leave Opel last summer. It concerned two hunters confronted by an angry bear. One quickly pulled on his running shoes. The other laughed: "That's no use, the bear can easily outrun a man." "That's not the point," his pal replied. "The main thing is that I can outrun you." German motor industry executives still like to tell it, even though few find it funny any more.

Change at Porsche, Page 18
BMW sales, Page 18

The challenge facing the German car industry



Source: DRI World Automotive Forecast Update Autumn 1992

'How can I be patient while Japanese manufacturers' costs are 30 per cent better than those in Germany?'

Pirelli nears target for sum raised by disposals

By Haig Simonian in Milan

ONE OF the last pieces in the disposal of the diversified products division of Italy's Pirelli tyres and cables group fell into place yesterday with the sale of its STL Superga shoes and clothing subsidiary.

The buyer, a subsidiary of the Milan-based Sopaf investment banking group, is paying L103bn ($70m) for the businesses, which involve Pirelli's Superga shoes and K-Way sports clothing lines.

The transaction will give Pirelli an extraordinary gain of L70bn, to be used partly to cover extraordinary losses in the 1992 accounts stemming from restructuring and other costs.

The sale brings to L850bn the amount raised in disposals from Pirelli's diversified products division and other activities, notably property. The company has set itself a L1,000bn target for sell-offs by mid-1993.

Pirelli has now sold seven of the nine business units in its diversified products division. The operation was put on the block to raise cash after the failure of Pirelli's takeover bid for Continental, its German rival, in November 1991. The two units still to be sold involve transmission belts, hoses and some minor activities.

The latest disposal will reduce Pirelli's group debt by about L160bn, as the purchasers are also taking around L57bn in STL Superga debt. The company, which had sales of L260bn last year, is well known in Italy for its fashionable sports shoes.

Pirelli & C, its ultimate holding company, will take 12 per cent of Superga, while Italian and foreign investment funds are likely to take minority stakes.

Porsche family steps down from leading board roles

By Christopher Parkes in Frankfurt

TWO senior members of the Porsche family are to stand down from leading roles on the supervisory board of the troubled sports car maker to make way for "an outstanding entrepreneurial personality" from the chemicals industry.

Mr Helmut Sihler, former chairman of the management board at Henkel, was yesterday nominated as head of the Porsche supervisory board in succession to Mr Ferdinand "F.A." Porsche, who remains a full member of the board.

Mr Sihler will also take over the board seat occupied by Mr Ferdinand "Ferry" Porsche, the 83-year-old son of the company's founder, who will retain a role as honorary chairman.

The changes mark a further development in the management culture at the group, which last year plunged into loss for the first time. Four months ago, Mr Arno Bohn was replaced as chief executive of the management board by Mr Wendelin Wiedeking, former production chief.

They are likely to generate further speculation about Porsche's future. Mr "Ferry" Porsche is regarded as one of the old guard, insisting Porsche remains independent, "as long as I am captain on board".

However, the group is tightly controlled by the founding family and the Piëch family, related by marriage, which control 100 per cent of the voting shares and 40 per cent of the preference stocks.

Most recent speculation has focused on a takeover by Volkswagen, where Mr Ferdinand Piëch, former head of Audi, took over as chief executive on January 1.

The group has suffered badly in the international recession, particularly in the US. In the last financial year to the end of July, 1992, it lost a net DM65.8m ($41.3m) after a profit of DM17m.

Last month, the controlling families agreed to forego their dividend entitlements on the common stock and the board proposed reducing the pay-out on preference shares to DM2.50 from DM10 in the previous year.

Mr Wiedeking said then that sales and earnings would fall further this year.

He warned that if Porsche could not increase its sales, plans to cut a fifth of the workforce would have to be reviewed.

BBL and Eagle Star unite against surveyors

By Richard Lapper in London

EAGLE STAR, the insurance subsidiary of BAT Industries, and Banque Bruxelles Lambert (BBL), the Belgian bank, are to take legal action against two firms of chartered surveyors after yesterday reaching agreement in a long-running legal dispute over mortgage indemnity insurance.

Eagle Star will pay a maximum of £87.5m ($135.7m) to settle the dispute with BBL, which lodged an insurance claim on policies covering commercial property loans after borrowers, including Land & Property Trust, defaulted during 1990.

BBL said total loans of some £308m had been extended to three separate property developers affecting six properties. The bank said its exposure via banking syndicates amounted to 46 per cent of this amount (or about £142m).

The total value of losses on the loans including rolled-up interest is understood to be about £220m.

The precise value of the settlement will depend on the outcome of separate legal action which the insurer and bank will jointly take against two firms of chartered surveyors – Lewis & Tucker and John D Wood Commercial, alleging that valuations provided for the six properties were negligent.

BBL will receive £70m now plus the first £35m of any cash recovered from the valuers in the joint action. Proceeds from all other monies recovered will be shared on a 50:50 basis between the two companies. Eagle Star could reduce its net loss through further recoveries from its reinsurers.

Mr Michael Heath, executive director, said Eagle Star "was gratified" by the settlement which reduces uncertainty about company's exposure to property-related insurances.

Pre-tax losses were £394m in 1991, and £66m in the first nine months of last year. Late last year BAT Industries pumped £450m into the company to boost its solvency.

GEC Alsthom starts German talks

By Judy Dempsey in Berlin and Andrew Baxter in London

GEC Alsthom, the Anglo-French power and transportation equipment company best known for the TGV high-speed train, has opened preliminary talks aimed at buying Deutsche Waggonbau, the large eastern German railway equipment group.

If the negotiations between GEC Alsthom and the Treuhand privatisation agency are successful, GEC Alsthom would gain an important foothold in the German rail equipment market and double the size of its transport division, which had sales of ECU1.41bn ($1.73bn) in 1991-92 and nearly 17,000 employees.

"We are very interested in DWA," GEC Alsthom said yesterday. The Anglo-French group makes locomotives and all types of passenger rolling stock, while DWA makes non-powered passenger vehicles, freight wagons, bodies and passenger coach equipment.

DWA is one of Europe's largest rail equipment manufacturers and employs more than 16,000 people. It is one of the few enterprises in eastern Germany recording a profit.

The company had turnover last year of DM2bn, and achieved a profit of DM20.6m despite being forced to find new markets both in Germany and European Community countries when trade with the countries of eastern Europe virtually collapsed after 1990.

Until then, more than 80 per cent of DWA's exports went to east European markets, but now over 40 per cent of its exports are sold to western German and EC markets.

GEC Alsthom, owned jointly by GEC of the UK and France's Alcatel Alsthom, does not face tough competition from German companies. The Federal Cartel office has ruled out Siemens or AEG, the most obvious purchasers, from buying DWA.

Treuhand officials had recently questioned whether it would be possible to sell off DWA given that it had lost its large Russian market, or whether any foreign company would want such a large concern that could not be easily sold off in separate tranches.

NFC to sell waste management division

By Angus Foster in London

NFC, the UK transport and logistics company, is about to sell its waste management division to Wessex Waste Management, the joint venture between Waste Management of the US and Wessex Water.

The sale is expected to be finalised later this week.

None of the parties would comment on the transaction, but it is understood the sale price is slightly more than £100m ($152m).

NFC's shares gained 10p to 271p, prompted by a circular from NatWest Securities saying the sale was "imminent". Mr Robert Miller-Bakewell, the circular's author, said the purchase was at a "full price" but below NFC's original target of £160m.

The deal would make Wessex Waste Management one of the UK's top five waste specialists, behind companies such as Cleanaway and Biffa.

WWM has recently considered several potential acquisitions and wants to lift annual turnover to improve margins.

WWM, which trades under the name UK Waste, was set up in 1991.

Following the acquisition of Wimpey's waste division, it has raised annual turnover to about £45m.

If the NFC deal is approved, the enlarged group's turnover would approach £80m, compared with £90m at Biffa, which is owned by water company Severn Trent.

NFC's waste division, which is highly regarded, was started in 1962. It is one of the top 10 companies in the UK and especially strong in the north west.

In the year ended September 1991, the division made operating profits of £3.72m on turnover of £29.8m.

Following a review of strategy two years ago, NFC has regularly said the division is not core to its main businesses of transport, logistics and home services.

Another non-core business, Pickfords Travel, was sold last year to Airtours for £16m.

NFC is also keen to expand its logistics business and last year spent £75m on acquisitions in the US and Europe. This pushed year-end gearing to 55 per cent, which some analysts said was high and could hold back growth.

According to one observer, NFC decided on selling WWM because waste management is becoming dominated by large specialists who can afford heavy capital expenditure.

"Waste is long term and capital hungry so there are better places for NFC's money," he said.

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BMW expects fall in deliveries

By Christopher Parkes

BMW, the German luxury car maker, expects deliveries to distributors to fall this year for the first time since 1974.

The setback follows progress in 1992 when BMW recorded a 4.7 per cent increase in turnover and a 7.6 per cent rise in deliveries to 598,000 units. However, turnover growth was hit by currency devaluations and the increased share in sales of the cheaper 3-series. Profits, which were not disclosed, were satisfactory in the light of general conditions, the group said in a letter to shareholders yesterday.

Publication of the letter knocked DM15.30 off BMW shares in Frankfurt, which closed at the day's low of DM501.50. The DAX index of 30 leading shares fell 18.40 points to 1,569.24.

The group said it expected world demand for new cars in 1993 to stagnate at 1992's level of 33.5m. Recovery in the US was likely to be offset by weak demand in Japan and Europe, especially Germany.

The group said economic improvements, expected in the second half, would not prevent a fall in BMW deliveries for the year. This would be only the second interruption to more than 30 years of progress.

Productivity improvement programmes, which last year saw 1,800 job losses in Germany, would be continued.

Last year, new BMW registrations in Europe climbed 7 per cent to 440,000 units of which 245,000, an increase of 6 per cent, were made in Germany.

Meanwhile, sales in the US rose 23 per cent to 65,700, reversing a long-term decline.

Shares in Montedison tumble by 5%

By Robert Graham in Rome

SHARES IN Montedison, Ferruzzi's chemicals arm, fell nearly 5 per cent yesterday following suggestions that ENI, the Italian state oil concern, had taken their 1990 Enimont deal to arbitration.

In November 1990, after long negotiations, ENI agreed to buy Montedison's 40 per cent stake in their jointly-run chemicals and petrochemicals group, Enimont.

However, Ferruzzi denied the report in Il Mundo magazine that ENI was seeking up to L800bn ($580m) in compensation for the Enimont deal as "gratuitously inaccurate". ENI refused to comment.

Arbitration procedures were built into the sale of Montedison's stake to ENI for L2,805bn; yesterday, ENI was coy about confirming whether it invoked the arbitration panel – and, if so, in what context.

The spotlight has also been turned on the Enimont affair, engineered when Mr Raul Gardini still headed Ferruzzi, after Rome magistrates reopened an enquiry into the treatment of minority shareholders. This enquiry is believed to have been prompted by magistrates following up leads on alleged political kick-backs in the wake of the Milan corruption scandal.

Trumpf posts sharp profits fall as demand declines

By Andrew Baxter

TRUMPF, one of Germany's biggest machine tool builders, has announced a sharp fall in group net profits for the year ended June, due to the strength of the D-Mark, steep rises in domestic costs and sluggish demand in its home market.

Privately-held Trumpf, one of the world's biggest manufacturers of machines for punching, nibbling, bending and forming sheet metal, said profits fell to DM38.7m ($24.33m) from DM59.8m in 1990.

Worldwide turnover fell 6.2 per cent to DM577.8m – representing a relative increase in overall market share, the company said.

Demand in Germany fell 9.2 per cent, but the company was encouraged by a decline of only 3.4 per cent in sales by foreign subsidiaries. In particular, US turnover rose 30 per cent, while in the UK turnover held steady as the company increased its customer base.

Dr Berthold Leibinger, president, said: "Too much uncertainty exists worldwide, and although there have been some signs of hope from the US, we cannot say whether this signals a worldwide upturn."

Daf shares suspended ahead of funding statement

By Ronald van de Krol in Amsterdam

TRADING in Daf, the lossmaking Dutch truckmaker, was suspended yesterday on the Amsterdam stock exchange ahead of the unveiling today of a recovery plan which is expected to involve the provision of further credit from the company's bankers based on a promise of support by the Dutch state.

Daf, which declined to give any details of the plan, said it had asked the stock exchange to suspend trading in its shares until after the plan is released in mid-afternoon. Daf closed on Friday at Fl 7.20.

The Dutch government would not be drawn on whether it planned to take a stake in the company as part of efforts to provide more capital. The government already owns a small indirect stake in Daf through the chemicals group DSM, which holds 5.9 per cent of Daf's shares and which is itself 31 per cent state-owned.

British Aerospace is Daf's biggest foreign shareholder with a stake of 10.9 per cent. Other shareholders include ABN Amro Bank, the company's "house" bank, and insurance companies Aegon and ING.

Bankers Trust soars 24% despite trading setback

By Alan Friedman in New York

BANKERS TRUST, the big New York banking group, yesterday unveiled a healthy 24 per cent rise in fourth-quarter 1992 net earnings, to $170m, or $1.97 per share.

The profits improvement occurred despite halved fourth-quarter trading revenues of $101m. It was helped along by lower bad debt provisions and higher net interest and fee income.

The bank's net interest revenues before provisions in the fourth quarter was $396m, sharply higher than the $168m recorded in the last quarter of 1991.

Fiduciary and funds management generated $158m of revenues, up by 19 per cent year-on-year. Fees and commissions were up 9 per cent at $144m.

Fourth-quarter bad debt provisions declined by 25 per cent to $50m. Provisions for the whole of 1992 were 13 per cent lower at $225m. Total non-performing assets were down by 4 per cent to $2.46bn in the final quarter of 1992.


Charles Sanford: 'Bank positioned for promising 1993'

For the full year, Bankers Trust recorded $761m, or $8.82 per share, of net profits, up by 14 per cent on the $667m, or $7.75, earned in 1991.

Mr Charles Sanford, chairman of Bankers Trust, said the results demonstrated the inherent strength within the bank's portfolio of businesses, including risk management, underwriting, advisory, asset management, lending and operational services.

He said favourable trends in asset quality positioned the bank for a promising 1993.

The bank's capital was also strengthened during 1992, with total equity of $3.8bn at year-end, some $397m higher than at the end of 1991. The important tier one capital-to-assets ratio used by bank regulators was 7.65 per cent at year-end.

On Wall Street, the bank's share price was $1½ lower at $66¼ before the close.

US forestry group rises sharply in quarter

By Karen Zagor in New York

WEYERHAEUSER, the US forest products group, yesterday posted sharp gains in fourth-quarter earnings, reflecting improved economic conditions and the benefits of the company's restructuring.

Net income for the three months to December 27 was $85.3m, or 42 cents a share, on sales which rose 10 per cent to $2.34bn.

A year earlier, Weyerhaeuser took restructuring charges of $283m which contributed to a fourth-quarter loss of $256.4m, or $1.27, on sales of $2.13bn. Excluding special items, it earned $26.6m, or 13 cents, a year ago.

For the whole of 1992, earnings amounted to $372m, or $1.83, on sales of $9.2bn, against a net loss of $162m, or 80 cents, on sales of $8.7bn.

Stripping out one-time items in 1991, the group earned $182.1m, or 90 cents, last year.

Its timberlands and wood products division posted near record fourth-quarter earnings, driven by strong prices.

The company benefited from environmental regulations which have reduced the supply of timber and pushed up prices.

Operating profits from forest products stood at $175m for the quarter and $515m for the year. A year earlier, the division had a fourth-quarter loss of $67m and earnings of $155m for the year, including restructuring charges of $152m in the 1991 fourth quarter.

Pulp and paper operations saw operating profits of $47.8m in the 1992 fourth quarter and $251m for the year.

Rockwell buys Sundstrand unit

By Louise Kehoe in San Francisco

ROCKWELL International, the diversified US electronics manufacturer, is to acquire the data control division of Sundstrand, for $225m.

Rockwell plans to merge the Sundstrand unit with Collins Commercial Avionics, its civilian avionics business.

Sundstrand said in a statement that the sale would result in a "significant, non-recurring financial gain".

Sundstrand Data Control manufactures flight data and cockpit voice recorders, ground proximity and wind shear warning computers, flight management systems and other instrument systems for use in aircraft.

The company has operations in Washington and Arizona and had 1991 sales of approximately $216m.

"Our decision to sell Data Control is based on our belief that it will be better positioned to serve future integrated cockpit and flight safety markets by teaming with a company whose core business is avionics," said Mr Harry Stonecipher, Sundstrand chairman, president and chief executive.

The Sundstrand unit will be merged with Rockwell's Collins Commercial Avionics, based in Iowa, which produces communications, navigation, flight control and position location products.

Rockwell recently reported first-quarter net income of $127.8m, up 4 per cent from the same period last year. Earnings per share were 58 cents, up from 54 cents.

Its sales, however, declined to $2.49bn from $2.56bn in the first quarter of fiscal 1992.

The company said sales of industrial automation and telecommunications products rose strongly, while earnings of its avionics operations also advanced.

Defence electronics earnings declined slightly. Aerospace earnings were down, reflecting lower sales to the Space Shuttle programme.

Slow economy restrains Corning

By Karen Zagor

CORNING, the US specialty glass group, yesterday reported a 6 per cent improvement in underlying fourth-quarter earnings to $91.6m, or 47 cents a share.

During the quarter, Corning adopted new accounting standards which reduced reported net income by $45.3m. Corning's post-retirement benefits expense increased by $5.1m.

Including these items, net income fell to $41.2m, or 21 cents a share, from $85.6m, or 45 cents last year.

Sales rose 21 per cent to $996.2m from $826.3m.

Mr James Houghton, chairman, said: "The strong improvement in consolidated operations was led throughout the year by growth businesses, primarily optical fibre and cable, laboratory services and environmental products.

"However, we continued to be restrained by a sluggish world economy, particularly in Brazil, Europe and Japan."

For the full year, Corning posted a net loss of $12.6m, or 8 cents, on sales of $3.71bn, against net income of $316.8m, or $1.69, on sales of $3.26bn in 1991.

Stripping out one-time items in both years, Corning's 1992 earnings rose 10 per cent to $343.4m, or $1.81.

The company's Dow Corning 50-50 joint venture with Dow Chemical, which was once the largest maker of silicone gel breast implants, continued to hurt Corning's earnings.

Weak operating results and one time-charges at Dow Corning reduced equity company earnings significantly in both the fourth quarter and full year.

Corning said the decline was moderated by strong earnings from Samsung-Corning, which more than doubled its earnings.

Gerber earnings decline 10%

GERBER Products, the US consumer products and services group, reported third-quarter net earnings of $26.5m, or 36 cents a share. This compared with $14.5m, or 19 cents, a year earlier, but this was after an after-tax charge of $16m, or 21 cents, to restructure the company's apparel operations, Reuter reports from Fremont.

The group, which raised baby food prices in October, blamed the 10 per cent profits fall, excluding the charge, on a drop in orders due to higher price competition and a declining US birth-rate.

Nynex to buy back 8m shares

NYNEX, the US telecommunications group, is repurchasing up to 8m of its common shares in the open market on January 26, in a programme lasting up to 10 years, Reuter reports from New York.

As stock options are exercised repurchased shares will be released into the open market. On February 1, Nynex will begin a separate repurchase programme to buy 2.6m common shares in 1993.

Ivaco to sell 52% Laclede stake

IVACO, a Canadian steel products group with 75 per cent of its business in the US, has put its 52 per cent controlling interest in Laclede up for sale, writes Robert Gibbens in Montreal.

Laclede, based in the US, has nearly 1m tonnes of modern steelmaking capacity and several product plants. It has weathered the recession in good shape, with book value at around US$100m.

However, Ivaco, carrying a high debt load from rapid expansion in the early 1980s, has been hit by the long recession and a high Canadian dollar from 1988 to early 1992.

It has appointed Paine Webber, the New York investment bankers, to find a buyer.

● Lower interest charges and other non-operating factors helped Imperial Oil, Canada's biggest oil company and a subsidiary of Exxon of the US, lift net earnings by 20 per cent last year, writes Bernard Simon.

However, lower crude oil volumes, pipeline limitations and narrower margins on refined products continued to depress the company's operating performance.

Net earnings rose to C$195m (US$152.3m), or C$1.01 a share, from C$162m, or 84 cents, in 1991. Fourth-quarter earnings were C$51m, compared with a C$124m loss. Annual revenues fell to C$9.13bn from C$9.5bn.

Norwegian bank losses revised upwards

By Karen Fossli in Oslo

THE NORWEGIAN Banks Association, a group representing the country's commercial banks, has increased its estimate of members' 1992 composite losses to NKr4bn to NKr5bn from NKr3bn ($442m).

It warned that some banks may also need state cash in 1993. In the past five years, the state has injected an estimated NKr20bn to prop up the ailing commercial bank sector.

The association estimated that the commercial banks' combined credit loss in 1992 was NKr8bn to NKr9bn, down from a record NKr15bn in 1991.

The banks' non-performing loans in 1992 hit NKr20bn while property acquired by the banks last year due to defaults on loans had a total value of NKr7bn, resulting in an estimated loss of income of NKr3bn.

It has also been estimated that the value of domestic commercial and residential property in the past five years has plunged by NKr500bn, resulting in the banks writing-off an estimated NKr60bn on their property portfolios.

The association said that high interest rates on deposits had made it more attractive for the banks to raise capital domestically, rather than in international capital markets.

London-based financial analyst Fox-Pitt, Kelton warned in a report that Den norske Bank, Norway's biggest bank, was not likely to post earnings until 1995.

"Further large losses anticipated for 1993 could be sufficiently large to wipe out at least some of [DnB's] preference capital. In any case, no meaningful earnings are likely before 1995, by which time dilution from the conversion of government preference stock could be huge," the analyst said.

DnB's ordinary share capital was written down to zero by the government at the end of November, after losses had plunged the bank's capital adequacy below the minimum 8 per cent requirement.

The state was therefore forced to provide DnB with NKr1.5bn in new preference capital and a guarantee of NKr600m, boosting its DnB shareholding to an estimated 70 per cent.

● Norway's 134 savings banks achieved their best performance last year, turning a combined net loss of NKr1.63bn in 1991 into a profit of NKr850m for 1992, according to preliminary figures revealed by the Savings Banks' Association. The sharp improvement in 1992 was helped by reduced credit losses, higher net interest income and lower operating costs.

"The savings banks are on their way out of the [banking] crisis. There is much work left to be done – like reducing further credit losses and improving earnings – before we can say the [savings] banks are completely out of the crisis," said Mr Hans Halle, an association executive.

Arnotts looks at buy-back scheme to prop shares

By Kevin Brown in Sydney

ARNOTTS, the Australian biscuit company, is considering a share buy-back scheme to support the share price after the closure on Thursday of a takeover offer by Campbell Soup, the US food group.

Arnotts said the scheme had been suggested by Schroders Australia, the merchant bank which is advising the board. The buy-back would apply to up to 10 per cent of the stock.

However, Mr David Johnson, Campbell managing director, said the scheme was "a transparent ruse born of panic". Mr Johnson said Campbell would use its shareholding to block the scheme.

"Campbell clearly has the power to block the buy-back. Make no mistake, we would use that power," he said.

Arnotts' shares have consistently traded above Campbell's offer price of A$9.50, but analysts have suggested they could fall as low as A$7 (US$4.80) after the offer closes.

Schroders is believed to have suggested that the buy-back scheme might persuade institutional shareholders to reject Campbell's offer by providing an alternative buyer for part of their holdings.

Mr Paul Binstead, a Schroders director, said Campbell had agreed to the inclusion of buy-back provisions in Arnotts' articles of association in 1990. However, Mr Binstead said no decision on whether to proceed with the buy-back would be made until after the offer expires.

Campbell has lifted its stake in Arnotts to 34.1 per cent from 33 per cent since launching the bid. However, Campbell needs 85.1 per cent of the shares to control the board because of a 1985 shareholding agreement.

Mr Bill Purdy, Arnotts' chairman, said he was confident that Campbell had "no chance" of acquiring control because small shareholders and members of the Arnott family were reluctant to sell.

Pioneer Electronic buys 66% of French sales group

PIONEER Electronic of Japan has purchased a 66 per cent stake in Musique Diffusion Française (MDF) of France, formerly a sales distributor of Pioneer in France, AP-DJ reports from Tokyo.

The French company, which will change its name to Pioneer Setton, is located in the suburbs of Paris.

Pioneer has been selling its products, including audio and video goods, in the market through MDF since 1973.

Pioneer did not reveal the cost of its purchase. The remaining 34 per cent stake is held by Mr J.J. Setton, chairman of the new company and formerly the owner of MDF.

Pioneer has also acquired the 30 per cent it didn't own in a joint audio products venture with MDF, making the company, Pioneer Electronics France a wholly-owned subsidiary of Pioneer.

W Australia banks to merge

THE STATE government of Western Australia has proposed a merger of state-owned R&I Bank of Western Australia with Challenge Bank, a small commercial bank based in the state, AP-DJ reports from Perth.

R&I Bank said the proposal had "attractions" but it would prefer to wait until late 1994, after it expected to improve its financial performance.

R&I Bank has total assets of A$9.9bn (US$6.8bn.) Assets at Challenge total A$3.4bn.

Randgold edges back into the black

By Philip Gawith in Johannesburg

A TURNROUND into profit at the Harmony gold mine helped Randgold, the gold arm of the Barlow Rand group, to record a R6.7m ($2.2m) after-tax profit during the December quarter compared to a R6.5m loss in the previous quarter.

Harmony's performance, achieved with special government dispensation to blast on Sundays, and to blast more than once in 24 hours, could well be instrumental in hastening reform of restrictive laws which hamper productivity in the gold mining industry. A number of other marginal mines have recently sought similar exemptions from the government.

Harmony itself made an after-tax profit during the quarter of R8.5m compared with a R5.7m loss the previous quarter. Mr John Turner, chairman of Harmony, said permission to blast on Sundays, granted in September, had diminished the risk of closure.

He added that the mine was not yet out of the woods and would have to maintain current levels of grade and production to stay profitable. This required continuing Sunday operations. The exemption granted in this respect is to be reviewed in March.

During the December quarter, Harmony produced an extra 563kg of gold, out of a total production of 5,305kg. This contributed an extra R13.2m working profit to the mine's results.

Harmony, with a 14,600 workforce, is the largest marginal mine in the industry. Its closure would have serious implications for the nearby Free State town of Virginia.

Elsewhere in the group, Durban Deep had a steady quarter with after-tax profits of R963,000, against R1m. Increased production and lower costs helped Blyvooruitzicht lift taxed profit to R4.3m from R1.5m.

Losses at ERPM rose to R7m from R3.4m with production to 1,539kg from 1,685kg.

Merchant bankers flock to Rome

Plans to privatise Italy's state sector are starting to take shape, writes Haig Simonian

THE world's investment bankers are flooding to Rome as plans to privatise many of the companies within Italy's overblown state sector take shape.

Their enthusiasm is understandable. The government hopes to raise L27,000bn ($18.5bn) in the next three years through asset sales, while IRI, the state holding company, is budgeting on a further L24,000bn as a means of reducing borrowings running close to L70,000bn.

All this is music to the ears of the world's merchant bankers: and the Italian treasury headed by Mr Piero Barucci, the treasury minister, is their first port of call.

Since the new Amato government took office in June, the treasury has become the crucial force in the privatisation process. Political placemen in state-owned companies have been largely replaced by senior treasury officials, while the six-man committee of senior bankers and economists looking into privatisation reports directly to Mr Barucci.

Although privatisation is still in its infancy, the competition among bankers has already revealed some winners and losers. Most prominent among the latter are the Italian houses. Italy's merchant banks often present themselves as equal to big London and New York rivals when it comes to domestic business. So far they look to have been left out in the cold.

Mediobanca, Italy's leading merchant bank, and Istituto Mobiliare Italiano, the public-sector financial services group, have been given a broad mandate to advise the treasury.

But IMI, which has been asked by the ENI state holding company to advise on selling its Nuovo Pignone engineering subsidiary, is the only domestic bank so far to have been given a sizeable specific mandate.

The absence of Italian houses reflects their inexperience in privatisation business. No Italian bank yet has the expertise to handle a major valuation based on comparative experience abroad.

Competitive and political considerations also contribute. Italian banks needing corporate finance advisers have traditionally looked abroad to avoid revealing confidential information to domestic rivals. In other cases, the choice of a prestigious international bank has stemmed from political concerns to underline the job is being done fairly and without party political pressure.

British merchant banks have emerged well so far. S.G. Warburg has won plaudits for valuing IMI, in which the government is trying to sell its 50 per cent stake. Barings is valuing the big INA insurance group, while Kleinwort Benson last year valued the treasury's share in the Crediop long-term lending bank.

Some US houses have also prospered. IRI chose Merrill Lynch to recommend strategies, and find buyers, for its 67 per cent stake in Credito Italiano, Italy's sixth-biggest bank. Lehman Brothers is starting to see the rewards for months of painstaking work for Finmeccanica and Stet, IRI's engineering and telecommunications subsidiaries. Though not yet privatisation candidates, both are poised for substantial restructuring prior to a reduction in the state's shareholding.

Piero Barucci: overseeing Italy's privatisation plans

Goldman Sachs, Swiss Bank Corporation, Paribas and Lazards are still locked in the seemingly interminable task of advising ENI on the flotation of its Agip and Snam subsidiaries. The timing – the deal was initially to have been completed by the end of last year – has suffered from changes in government policy between floating the subsidiaries or ENI itself.

But the clear winner so far has been Wasserstein Perella, the US investment bank formed by former First Boston employees. In spite of its relatively small size and youth compared with its rivals, it has already won a disproportionally large slice of business.

Wasserstein Perella's biggest prize has been in advising IRI on restructuring its SME food, retailing and catering subsidiary. After blueprinting the break-up, it has now been charged with finding buyers for the various operations on the block.

Earlier, it advised SME on disposing of some smaller joint ventures. And it has established a strong rapport with Finmeccanica, whose Esaote Biomedica subsidiary it is now trying to sell.

Wasserstein Perella's success has created ill-feelings among its rivals, particularly banks which have both commercial and investment banking relationships with the state holding companies. "We are one of the biggest foreign lenders to IRI, which borrows at highly competitive rates," says one leading European bank representative. "But so far we haven't had any advisory business, in spite of submitting various interesting and competitive proposals."

Wasserstein Perella's mandates have triggered allegations, so far only in private, that it has benefited from privileged contacts with the Amato government.

In April 1991, Wasserstein appointed Mr Franco Reviglio, a prominent university professor and former ENI chairman, as an Italy-based "senior international adviser". When the new government took office, Mr Reviglio became budget minister, putting him in one of the three key ministries concerned with privatisation.

Wasserstein Perella asserts Mr Reviglio terminated his contract on election as a Socialist party senator in the April 1992 polls. "That was months before he even knew would be made a minister," says a banker. Since then, professional contacts with the bank are said to have wholly stopped, but some competitors view the bank's recent successes with disquiet.

It takes more, however, than a senior Italian figurehead to win mandates. The presence of Mr Romano Prodi, a former IRI chairman, as adviser to Goldman Sachs, a top Wall Street name, has not won it any IRI privatisation business so far.

Indeed, some bankers suggest having a heavyweight Italian official on the letterhead can be a positive disadvantage. Though potentially useful as an intermediary thanks to privileged friendships or party political contacts, "their backgrounds can often close as many doors as they open", says one banker.

"You must remember the Italian system is based on consensus. It only takes one veto to block a mandate," says a senior official at one state holding company. "In Italy, it's probably more important to have few enemies than lots of friends."

But personal factors do count up to a point. Wasserstein Perella's success is partly based on the relationships established when Wasserstein officials were still working for First Boston. The latter advised Finmeccanica on crucial deals such as the sale of Alfa Romeo and the acquisition of Bailey Controls in the US. They also worked for SME on other transactions.

"That created a firm bond for winning future mandates", notes one IRI executive. The risk for a relatively small house like Wasserstein Perella is to ensure customer relationships rest on more than one individual to avoid disruption should key staff jump ship.

COMPANY NEWS IN BRIEF

BANG & OLUFSEN, the Danish audio and video equipment maker, made a DKr67m ($10.9m) pre-tax loss for the six months to November, against a profit of DKr2m last time, writes Hilary Barnes in Copenhagen. Sales fell from DKr1.16bn to DKr1.06bn.

Last month, the group announced 400 redundancies and a reorganisation of its European sales organisation. Charges for changes in the sales network and the lower turnover were blamed for the poor first-half result.

The group said December sales were satisfactory, and forecast a break-even result for the current half year.

■ Illinois Tool Works (ITW), the US engineering group, has extended its A$94m (US$64.8m) takeover offer for Siddons Ramset, the Australian hardware and fasteners group, until February 16, writes Kevin Brown in Sydney.

ITW, which has bid A$2 a share for Siddons through an Australian subsidiary, said it had extended the bid to allow financial institutions more time to accept.

Pacific BBA, a subsidiary of BBA, the UK toolmaker, effectively abandoned a rival bid for Siddons earlier this month by announcing that its A$88m offer would not be increased or extended beyond the deadline of January 27.

■ Brierley Investments, the New Zealand investment group, has unwound a joint venture with Guinness Peat Group (GPG), the UK investment company, set up to acquire Australian Consolidated Investments (Acil).

Mr Paul Collins, chief executive, said Brierley had acquired GPG's half-share in Rossington Investments, the joint venture vehicle owning 96 per cent of Acil.

Rossington bought Acil for A$131m (US$90.3m) in May last year after a takeover battle orchestrated by Sir Ron Brierley, the New Zealand entrepreneur, who is chairman of GPG and a director of Brierley.

Acil recently sold its main asset, National Brewing Holdings, one of Australia's two main brewers, to Lion Nathan, the New Zealand brewer.

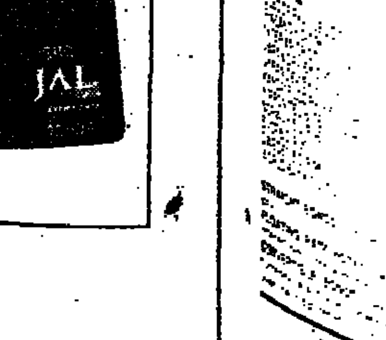
FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, January 25, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	63.6421	40.4689	51.6254
Albania	(Lek)	169.56	108.727	69.1376	88.1976
Algeria	(Dinar)	34.45	22.0904	14.0468	17.9193
Andorra	(Fr Fr)	8.30	5.3222	3.3843	4.3172
	(Sp Peseta)	173.30	111.125	70.6625	90.143
Angola	(Kwanza)	862.37	552.979	351.629	448.567
Antigua	(E Carr $)	4.162	2.6688	1.697	2.1648
Argentina	(Peso)	1.5570	0.9983	0.6348	0.8098
Aruba	(Florin)	2.76	1.7697	1.1253	1.4356
Australia	(Aus $)	2.3140	1.4838	0.9435	1.2036
Austria	(Schilling)				
Azores	(Port Escudo)				
Bahamas	(Bahama $)	1.5595	1	0.6358	0.8111
Bahrain	(Dinar)	0.5840	0.3744	0.2381	0.3037
Balearic Is	(Sp Peseta)	173.30	111.125	70.6625	90.143
Bangladesh	(Taka)	59 8955	38.4068	24.4222	31.155
Barbados	(Barb $)	3.10	1.9878	1.264	1.6124
Belgium	(Belg Fr)	50.50	32.3821	20.5912	26.2678
Belize	(B $)	3.083	1.9769	1.257	1.6036
Benin	(CFA Fr)	415.00	266.111	169.215	215.865
Bermuda	(Bermudian $)	1.5595	1	0.6358	0.8111
Bhutan	(Ngultrum)	44.6985	28.662	18.2256	23.2501
Bolivia	(Boliviano)	6.3279	4.0576	2.5801	3.2914
Botswana	(Pula)	3.499	2.2436	1.4267	1.82
Brazil	(Cruzeiro)	23268.25	14920.3	9487.56	12103.1
Brunei	(Brunei $)	2.5585	1.6405	1.0432	1.3308
Bulgaria	(Lev)	36.636	23.4921	14.9382	19.0564
Burkino Faso	(CFA Fr)	415.00	266.111	169.215	215.865
Burma	(Kyat)	9.8485	6.3151	4.0156	5.1227
Burundi	(Burundi Fr)	368.82	236.499	150.385	191.844
Cambodia	(Riel)	3083.0	1976.92	1257.08	1603.64
Cameroon	(CFA Fr)	415.00	266.111	169.215	215.865
Canada	(Canadian $)	1.9880	1.2747	0.8106	1.034
Canary Is	(Sp Peseta)	173.30	111.125	70.6625	90.143
Cp. Verde	(CV Escudo)	116.60	74.7675	47.5433	60.6501
Cayman Is	(CI $)	1.31	0.84	0.5341	0.6814
Cent.Afr. Rep	(CFA Fr)	415.00	266.111	169.215	215.865
Chad	(CFA Fr)	415.00	266.111	169.215	215.865
Chile	(Chilean Peso)	591.26	379.134	241.085	307.547
China	(Renminbi Yuan)	8.7924	5.6379	3.585	4.5734
Colombia	(Col Peso)	1260.04	807.977	513.778	655.417
CIS ‡	(Rouble)	0 8771o	0.5624	0.3576	0.4562
		760.45m	487 624	310.071	395.553
Comoros	(CFA Fr)	415.00	266.111	169.215	215.865
Congo (Brazz)	(CFA Fr)	415 00	266.111	169.215	215.865
Costa Rica	(Colon)	212.93	136.537	86.8216	110.757
Côte d'Ivoire	(CFA Fr)	415.00	266.111	169.215	215.865
Croatia	(Dinar)	1373.61	880.802	560.086	714.492
Cuba	(Cuban Peso)	1.17	0.7502	0.477	0.6085
Cyprus	(Cyprus £)	0.74	0.4745	0.3017	0.3849
Czech Rep.	(Koruna)	44 124c	28 2936	17.9914	22.9513
		42.55t	27.2843	17.3496	22.1326
Denmark	(Danish Kroner)	9.43	6 0468	3.845	4.905
Djibouti Rep	(Djib Fr)	274.00	175.697	111.723	142.523
Dominica	(E Carrib $)	4.162	2.6688	1.697	2.1648
Dominican Rep	(D Peso)	20.0395	12.8499	8.171	10.4236
Ecuador	(Sucre)	2867.19o	1838.53	1169.09	1491.39
		2851 77a	1828.64	1162.8	1483.37
Egypt	(Egyptian £)	5.0950	3.267	2.0774	2.6501
El Salvador	(Colon)	13.49	8.6502	5.5005	7.0169
Equat'l Guinea	(CFA Fr)	415 00	266.111	169.215	215.865
Estonia	(Kroon)	19 8960	12.7579	8.1125	10.349
Ethiopia	(Ethiopian Birr)	7.6304	4.8928	3.1112	3.9689
Falkland Is	(Falk £)	1.00	0.6412	0.4077	0.5201
Faroe Is	(Danish Kroner)	9.43	6.0468	3.845	4.905
Fiji Is	(Fiji $)	2.4610	1.578	1.0034	1.2801
Finland	(Markka)	8.2080	5.2632	3.3467	4.2694
France	(Fr)	8.30	5.3222	3.3843	4.3172
Fr. Cty/Africa	(CFA Fr)	415 00	266.111	169.215	215.865
Fr. Guiana	(Local Fr)	8.30	5.3222	3.3843	4.3172
Fr. Pacific Is	(CFP Fr)	149.00	95.5434	60.7543	77.5032
Gabon	(CFA Fr)	415 00	266.111	169.215	215.865
Gambia	(Dalasi)	13.474	8.6399	5.4939	7.0085
Germany	(D-Mark)	2.4525	1.5726	1	1.2756
Ghana	(Cedi)	813.20	521.449	331.58	422.991
Gibraltar	(Gib £)	1.00	0.6412	0.4077	0.5201
Greece	(Drachma)	325.775	208.897	132.834	169.454
Greenland	(Danish Krone)	9.43	6.0468	3.845	4.905
Grenada	(E Carr $)	4.162	2.6688	1.697	2.1648
Guadaloupe	(Local Fr)	8.30	5.3222	3.3843	4.3172
Guam	(US $)	1.5595	1	0.6358	0.8111
Guatemala	(Quetzal)	8.139	5.2189	3.3186	4.2335
Guinea	(Fr)	1252.14	802.911	510.557	651.308
Guinea-Bissau	(Peso)	7707.50	4942.29	3142.71	4009.1
Guyana	(Guyanese $)	194.229	124.546	79.1963	101.029
Haiti	(Goude)	18.498	11.8614	7.5425	9.6218
Honduras	(Lempira)	9.095	5.8319	3.7084	4.7308
Hong Kong	(HK $)	12.0435	7.7226	4.9107	6.2644
Hungary	(Forint)	128.95	82.6867	52.579	67.0741
Iceland	(Icelandic Krona)	97.00	62.1994	39.5514	50.4561
India	(Indian Rupee)	44.6985	28.662	18.2256	23.2501
Indonesia	(Rupiah)	3176.725	2037.02	1295.3	1652.39
Iran	(Rial)	2285.0v	1490	931.702	1188.56
		99.95o	66.8	40.7543	51.9895
Iraq	(Iraqi Dinar)	0.5936	0.3806	0.242	0.3087
Irish Rep	(Punt)				
Israel	(Shekel)	4.25	2.7252	1.7329	2.2106
Italy	(Lira)	2262.0	1450.46	922.324	1176.59
Jamaica	(Jamaican $)	37.46	24.0205	15.2742	19.485
Japan	(Yen)	192.25	123.277	78.3893	100
Jordan	(Jordanian Dinar)	1.0595	0.6793	0.432	0.5511
Kenya	(Kenya Shilling)	55.57	35.6332	22.6585	28.905
Kiribati	(Australian $)	2.3140	1.4838	0.9435	1.2036
Korea North	(Won)	3.314	2.125	1.3512	1.7237
Korea South	(Won)	1216.05	779.769	495.841	632.536
Kuwait	(Kuwaiti Dinar)	0.4735	0.3036	0.193	0.2462
Laos	(New Kip)	1109.88	711.69	452.55	577.311
Lebanon	(Lebanese £)	2802.30	1796.92	1142.63	1457.63
Lesotho	(Maluti)	4.7620	3.0535	1.9416	2.4769
Liberia	(Liberian $)	1.5595	1	0.6358	0.8111
Libya	(Libyan Dinar)	0.4464	0.2862	0.182	0.2321
Liechtenstein	(Swiss Fr)	2.2500	1.4427	0.9174	1.1703
Luxembourg	(Lux Fr)	50.50	32.3821	20.5912	26.2678
Macao	(Pataca)	12.316	7.8974	5.0218	6.4062
Madagascar	(MG Fr)	2762.37	1771.32	1126.35	1436.86
Madeira	(Port Escudo)				
Malawi	(Kwacha)	6.6439	4.2602	2.709	3.4558
Malaysia	(Ringgit)	4.03	2.5841	1.6432	2.0962
Maldive Is	(Rufiya)	18.4595	11.8368	7.5268	9.6018
Mali Rep	(CFA Fr)	415.00	266.111	169.215	215.865
Malta	(Maltese £)	0.5730	0.3674	0.2336	0.298
Martinique	(Local Fr)	8.30	5.3222	3.3843	4.3172
Mauritania	(Ouguiya)	163.399	104.777	66.6254	84.9929
Mauritius	(Maur Rupee)	28.35	18.1789	11.5596	14.7464
Mexico	(Mexican Peso)	4.8330	3.099	1.9706	2.5139
Miquelon	(Local Fr)	8.30	5.3222	3.3843	4.3172
Monaco	(French Fr)	8.30	5.3222	3.3843	4.3172
Mongolia	(Tugrik)	231.225(1)	148.269	94.2813	120.273
Montserrat	(E Carr $)	4.162	2.6688	1.697	2.1648
Morocco	(Dirham)	13.6960	8.7823	5.5845	7.124
Mozambique	(Metical)	4579.55	2936.55	1867.3	2382.08
Namibia	(S A Rand)	4.7620	3.0535	1.9416	2.4769
Nauru Is	(Australian $)	2.3140	1.4838	0.9435	1.2036
Nepal	(Nepalese Rupee)	71.88	46.0916	29.3088	37.3888
Netherlands	(Guilder)	2.7575	1.7681	1.1243	1.4343
N'nd Antilles	(A/Guilder)	2.7593	1.7693	1.125	1.4352
New Zealand	(NZ $)	3.0090	1.9294	1.2269	1.5651
Nicaragua	(Gold Cordoba)	9.249	5.9307	3.7712	4.8109
Niger Rep	(CFA Fr)	415.00	266.111	169.215	215.865
Nigeria	(Naira)	31.69	20.3206	12.9215	16.4837
Norway	(Nor. Krone)	10.41	6.6752	4.2446	5.4148
Oman	(Rial Omani)	0.5964	0.3824	0.2431	0.3102
Pakistan	(Pak. Rupee)	39.3610	25.2394	16 0493	20.4738
Panama	(Balboa)	1.5595	1	0.6358	0.8111
Papua New Guinea	(Kina)	1.54	0.9874	0.6279	0.801
Paraguay	(Guarani)	2512.64	1611.18	1024 52	1306.96
Peru	(New Sol)	2.63	1.6864	1.0723	1.368
Philippines	(Peso)	38.4150	24.6328	15.6636	19.9817
Pitcairn Is	(£ Sterling)	1.00	0.6412	0.4077	0.5201
	(NZ $)	3.0090	1.9294	1.2269	1.5651
Poland	(Zloty)	24178.0	15503.7	9858.51	12576.3
Portugal	(Escudo)				
Puerto Rico	(US $)	1.5595	1	0.6358	0.8111
Qatar	(Riyal)	5.6385	3.6155	2.299	2.9328
Reunion Is. de la	(F/Fr)	8.30	5.3222	3.3843	4.3172
Romania	(Leu)	736.82q	472.472	300.436	383.261
Rwanda	(Fr)	225.55	144.63	91.9673	117.321
St Christopher	(E Carr $)	4.162	2.6688	1.697	2.1648
St Helena	(£)	1.00	0.6412	0.4077	0.5201
St Lucia	(E Carr $)	4.162	2.6688	1.697	2.1648
St Pierre	(French Fr)	8.30	5.3222	3.3843	4.3172
St Vincent	(E Carr $)	4.162	2.6688	1.697	2.1648
San Marino	(Italian Lira)	2262.0	1450.46	922.324	1176.59
Sao Tome	(Dobra)	369.96	237.23	150.85	192.437
Saudi Arabia	(Riyal)	5.8395	3.7444	2.381	3.0374
Senegal	(CFA Fr)	415.00	266.111	169.215	215.865
Seychelles	(Rupee)	8.0705	5.175	3.2907	4.1979
Sierra Leone	(Leone)	793.87	509.054	323.698	412.936
Singapore	($)	2.5585	1.6405	1.0432	1.3308
Slovakia	(Koruna)	44.124c	28.2936	17.9914	22.9513
		42.55t	27.2843	17.3496	22.1326
Slovenia	(Tolar)	149.8985	96.1195	61.1206	77.9706
Solomon Is	($)	4.6225	2.964	1.8848	2.4044
Somali Rep	(Shilling)	4038.73	2589.76	1646.78	2100.77
South Africa	(Rand)	4.7620c	3.0535	1.9416	2.4769
		7.4545g	4.78	3.0395	3.8775
Spain	(Peseta)	173.30	111.125	70.6625	90.143
Spanish Ports in N Africa	(Sp Peseta)	173.30	111.125	70 6625	90.143
Sri Lanka	(Rupee)	71.6725	45.9586	29.2242	37.2808
Sudan Rep	(Dinar)	15.415	9.8845	6.2854	8.0182
Surinam	(Guilder)	2.7516	1.7644	1.1219	1.4312
Swaziland	(Lilangeni)	4.7620	3.0535	1.9416	2.4769
Sweden	(Krona)	11.0175	7.0647	4.4923	5.7308
Switzerland	(Fr)	2.25	1.4427	0.9174	1.1703
Syria	(£)	32.3715	20.7576	13.1993	16.8382
Taiwan	($)	39.55	25.3606	16.1264	20.5721
Tanzania	(Shilling)	505.61	324.213	206.161	262.996
Thailand	(Baht)	39.60	25.3927	16.1467	20.5981
Togo Rep	(CFA Fr)	415.00	266.111	169.215	215.865
Tonga Is	(Pa Anga)	2.3140	1.4838	0.9435	1.2036
Trinidad/Tobago	($)	6.5514	4.25	2.6713	3.4077
Tunisia	(Dinar)	1.4744	0.9454	0.6011	0.7669
Turkey	(Lira)	13281.28	8516.37	5415.4	6908.34
Turks & Caicos	(US $)	1.5595	1	0.6358	0.8111
Tuvalu	(Australian $)	2.3140	1.4838	0.9435	1.2036
Uganda	(New Shilling)	2042.75	1309.87	832.926	1062.55
U A E	(Dirham)	5.7190	3.6672	2.3319	2.9747
United Kingdom	(£)	1.00	0.6412	0.4077	0.5201
United States	(US $)	1.5595	1	0.6358	0.8111
Uruguay	(Peso)	5433.79	3484.32	2215.61	2826.42
Vanuatu	(Vatu)	186.17	119.378	75.9102	96.8374
Vatican	(Lira)	2262.0	1450.46	922.324	1176.59
Venezuela	(Bolivar)	124.60	79.8974	50.8053	64.8114
Vietnam	(Dong)	16139.50	10349.2	6580.84	8395.06
Virgin Is-British	(US $)	1.5595	1	0.6358	0.8111
Virgin Is-US	(US $)	1.5595	1	0.6358	0.8111
Western Samoa	(Tala)	3.895	2.4975	1.5881	2.026
Yemen (Rep of)	(Rial)	25.4347	16.3095	10 3709	13.23
Yemen (Rep of)	(Dinar)	0.7168	0.4596	0.2922	0.3728
Yugoslavia	(New Dinar)	1161.75	744.95	473.7	604.291
Zaire Rep	(Zaire)	4203541.0	2695441	1713982	2186497
Zambia	(Kwacha)	531.82	341.02	216.848	276.629
Zimbabwe	($)	9.1873	5.8911	3.746	4.7788

Special Drawing Rights January 22, 1993 United Kingdom £0.908687 United States $1.37757 Germany D Mark 2.21899 Japan Yen172.403
European Currency Unit Rates January 25, 1993 United Kingdom £0.798899 United States $1.23606 Germany D Mark 1.95705 Japan Yen154.161

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; ‡ CIS applies to states in the Rouble Zone. (1) Mongolian Tugrik devalued by 73% against the US$. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, January 25, 1993



Rome

Treasuries rise on hopes of tough approach to deficit

By Patrick Harverson in New York and Antonia Sharpe and Sara Webb in London

US TREASURY prices surged at the long end of the market yesterday morning on growing hopes that the Clinton administration will take a tough line on tackling the budget deficit.

GOVERNMENT BONDS

By midday, the benchmark 30-year government bond was up 15/32 at 104 15/32, yielding 7.250 per cent. At the short end of the market, the two-year note was only slightly firmer, up 1/32 at 100 23/32, to yield 4.214 per cent.

The market opened higher as investors and dealers got their first chance to react to Sunday's comments by Mr Lloyd Bentsen, the new treasury secretary, which suggested that the White House views cutting the deficit as a top priority.

In particular, Treasury investors welcomed his reference to the possible introduction of a broad-based energy tax that would be part of a plan to reduce the deficit by about $145bn over the next four years.

Until recently, the bond markets have been concerned, not to say sceptical, about President Bill Clinton's willingness to tackle the deficit issue at a time when he wants to increase economic growth through tax cuts and spending increases. Mr Bentsen's remarks helped address some of those concerns.

■ UK government bond prices fell in quiet trading ahead of tomorrow's auction of £2.5bn of 8½ per cent Treasury stock due 2007. The long end fell about ½ point while the shorter end eased about ¼ point.

With all eyes on the auction, prices failed to respond to the day's data which economists said were broadly encouraging since they pointed to a further cut in interest rates.

Lending by banks and building societies (M4) rose a seasonally adjusted £0.2bn in December, an improvement on the November figure when lending fell by £0.6bn, but below market forecasts of a rise of £1.8bn. This suggested the private and corporate sectors remained wary of accumulating new debts.

The Liffe March gilt future ended down 14/32 at 100 1/32 in moderate volume of 18,816 lots.

■ GERMAN government bond prices fell on press reports that the German pay talks had broken down, which prompted profit-taking after the recent advance. As a result, the market ignored the better-than-expected M3 data for December, which showed an annualised rise of 8.8 per cent against forecasts of more than 9 per cent.

The market was cautious ahead of today's bond launch by the Treuhand privatisation agency. Dealers expect a 10-year issue in the region of DM10bn.

The Liffe March bund contract traded just above the day's low of 92.66 in late trading, compared with a day's high of 93.01 and Friday's close of 92.97, in average volume of just over 44,610 lots.

■ FRENCH government bond prices fell further than their German counterparts, as the market turned its attention to the forthcoming legislative elections in March.

Fading hopes of an interest rate cut, a slight firming of three-month funds and some concern that the franc might come under renewed pressure prompted investors to take their profits.

March futures lost over half a point to settle at their lowest level for two weeks. The contract ended 54 basis points down at 112.86 on good volume of 129,352 lots.

■ ECU bond prices slipped in the absence of a cut in French interest rates. The Matif Ecu futures contract fell from an opening of 110.04 to a low of 109.70, and ended at 109.78.

However, traders expect Thursday's auction of French government Ecu bonds to boost the market. The French treasury announced on Friday that it plans to auction Ecu500 to Ecu700m of a new 10-year Ecu stock. This will be the first substantial issue of Ecu bonds since Denmark's rejection of the Maastricht treaty in June last year which threw the Ecu bond market into confusion.

France has been one of the most significant issuers of Ecu bonds but has not sold large amounts of Ecu bonds since April 1992. The return by the French to the Ecu bond market is seen as an important show of confidence in the Ecu, dealers said.

■ THE Swiss government bond market was enlivened by the government's announcement of a maximum of SFr1bn of 5¼ per cent bonds due 1998. Subscriptions close on Thursday and the issue price and final issue amount will be announced on Friday.

FT FIXED INTEREST INDICES

	Jan 25	Jan 22	Jan 21	Jan 20	Jan 19	Year ago	High *	Low *
Govt Secs (UK)	93.70	93.99	94.05	93.48	93.28	87.74	95.54	85.11
Fixed Interest	109.31	109.26	108.89	108.67	108.74	99.86	110.26	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1926
* for 1992/93. Government Securities high since compilation, 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 110.26 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18
Gilt Edged Bargains	115.0	140.9	124.8	116.2	115.0
5-Day average	122.3	118.6	110.2	104.5	99.3

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.9104	+0.084	8.77	8.85	8.92
BELGIUM		8.750	06/02	107.2500	-0.250	7.63	7.51	7.84
CANADA *		8.500	04/02	102.6000	-	8.09	8.05	7.83
DENMARK		9.000	11/00	102.9500	-0.625	8.46	8.46	9.05
FRANCE	BTAN	8.500	03/97	101.8168	-0.486	7.82	7.76	8.02
	OAT	8.500	11/02	103.9700	-0.850	7.89	7.74	8.09
GERMANY		8.000	07/02	105.6200	-0.150	7.16	7.09	7.23
ITALY		12.000	05/02	95.2900	-0.510	13.29†	13.42	13.38
JAPAN	No 119	4.800	06/99	102.9765	+0.156	4.21	4.23	4.51
	No 145	5.500	03/02	107.6697	-0.177	4.38	4.36	4.55
NETHERLANDS		8.250	06/02	107.1800	-0.230	7.17	7.10	7.28
SPAIN		10.300	06/02	91.4800	-0.670	11.82	12.07	12.43
UK GILTS		10.000	11/96	109-26	-9/32	7.02	7.13	7.22
		9.750	08/02	109-09	-8/32	8.35	8.42	8.31
		9.000	10/08	101-23	-11/32	8.81	8.82	8.59
US TREASURY *		6.375	08/02	98-29	+10/32	6.53	6.59	6.66
		7.625	11/22	104-13	+19/32	7.26	7.35	7.37
ECU (French Govt)		8.500	03/02	102.7250	0.600	8.07	8.22	8.63

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

Israel may lift privatisation with bond conversions

By Hugh Carnegy in Jerusalem and Tracy Corrigan in London

ISRAEL is considering making some government securities sold overseas convertible into equity under the state's industrial privatisation plans, the head of the Israel Bonds organisation said yesterday.

Last year was a record for sales of Israel bonds, a long-standing source of borrowing for the state, mainly from the Jewish diaspora in the US. More than $1.16bn was raised, compared with $990m in 1991.

But the high price paid, as long-term interest rates lagged declines in short-term rates, and the prospective easing of Israel's external borrowing costs due to the granting of US loan guarantees has led the government to scale down its target for the sale of bonds through the organisation in 1993 to $1bn.

Meanwhile, Israel is keen to press ahead with its first borrowing under the $10bn loan guarantees programme provided by the US government, according to the accountant-general's office.

Thirteen US banks are competing for the mandate to arrange the issue in the US bond market. Morgan Stanley is acting as an adviser on the programme and so is excluded from the bidding process. The offering could total up to $2bn, which would cover a projected $2bn current account deficit.

The structure of the deal has not yet been decided, but the bonds could have a life of up to 30 years, the maximum length of the US government guarantee. However, the positive yield curve could discourage the government from tapping the long end of the market, where rates are higher.

Mr Meir Rosenne, president of the Development Corporation for Israel, the Israel Bonds organisation, said in Jerusalem that the finance ministry was discussing a scheme under which bonds could be exchanged for shares in government companies being privatised as a new way of channelling the investments being made in bonds.

He also said he was shifting the emphasis in bonds marketing towards cheaper 15-year current income bonds. These carry a 4 per cent annual interest payment and are considered the classic "soft" instrument for attracting investment from Jewish communities. Last year, they accounted for only 8 per cent of all sales.

Half the total – $584m – was raised via a variable rate bond carrying interest of 7.5 per cent until it was withdrawn in July. Mr Rosenne said he wanted to increase sales of the lower interest bonds to 20 per cent of the total. "That would put us in much better shape," he said.

The government originally set a target of $1.5bn for 1992, believing a flood of immigration from the former Soviet Union would lead to balance of payments problems. But a slowdown in immigration rates and the granting of the US loan guarantees quickly changed the picture, making the bonds programme appear excessively expensive.

Sweden to launch Y200bn, four-year Samurai deal

By Tracy Corrigan

SWEDEN plans to follow up its Y100bn Eurobond issue, launched 10 days ago, with a Y200bn Samurai deal due to be announced in Japan today. The issue, arranged by Nomura Securities, will be the largest Samurai bond (foreign bond in the Japanese domestic bond market).

INTERNATIONAL BONDS

The latest offering will bring Sweden's SKr230bn ($30bn) borrowing package announced last autumn close to completion. Only SKr25bn ($3.5bn) remains to be raised, according to Ms Christine Holm of the Swedish debt office.

It is not clear whether the completion of the programme will signal the end of the recent spate of Swedish offerings in the international bond markets. The Swedish parliament lifted restrictions on foreign currency borrowing last year, due to the country's mounting funding needs. The split between foreign and domestic borrowing is now due to be re-examined, but a final decision on the structure of Sweden's future borrowing is not likely to be decided until April.

The four-year Samurai issue will pay a coupon of 4.2 per cent, and is partly swapped, according to Ms Holm. The cost of funds is more competitive than for the recent Euroyen deal, despite the higher fees charged in the Samurai market.

The launch of the deal, so soon after the Euroyen offering, reflects strong demand for yen-denominated debt from Japanese investors so far this year. Strong expectations of a further rate cut and negative views on the stock market, have fuelled domestic demand for bonds.

The deal is expected to be placed with a broad base of Japanese investors, both institutional and retail.

Meanwhile, the National Bank of Hungary yesterday launched a Y40bn issue of five-year Samurai bonds, carrying a 6¼ per cent coupon. The deal was arranged by Daiwa Securities.

The Asian Development Bank, which tapped the Euroyen market only last week, is also preparing to launch a Samurai bond offering, via Nomura Securities. A Y30bn issue of 20-year Samurai Bonds is due to be launched in the next month or so.

In the Eurolira bond market, Swedish Export Credit launched the first swapped issue since the lira was withdrawn from the exchange rate mechanism last September. Since then, the European Investment Bank, which has a natural requirement for lira, has been the only issuer to tap the market.

The L150bn issue of five-year bonds, via Credito Italiano, proved to be attractive to investors, due to the 12 per cent coupon.

The Italian bond market has rallied strongly due to expectations of falling interest rates and an easing of concern about the currency.

However, a lack of swap opportunities is likely to limit further supply in the sector.

● The Aa1 senior debt rating of the Halifax Building Society, placed under review for possible downgrade in December, has been confirmed by Moody's, the US ratings agency, which cited the society's strong pre-provision profitability.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
ANZ Banking Group(a)‡	125	(a)	100	Feb.1996	25/10bp	UBS P&D Securities
GECC(b)‡	100	(b)	99.75	Feb.2003	50/25bp	Kidder, Peabody Int.
FRENCH FRANCS						
Crédit Commercial de France	500	zero	41.78	Nov.2003	-	CCF
ITALIAN LIRA						
Swedish Export Credit	150bn	12	101.7	Feb.1998	1⅞/1⅛%	Credito Italiano
SWISS FRANCS						
Kyokuto Boeki Kaisha(c)♦★	23	1.875	100	Feb.1997	1⅝/1⅜%	Daiwa Secs.Bk.(Switz.)
LUXEMBOURG FRANCS						
Republic of Finland	3bn	7.5	102.5	Mar.1998	1¾/1½%	Crédit Européen

Final terms and non-callable unless stated. ★Private placement. ♦With equity warrants. ‡Floating rate note. a) Coupon pays 37½bp above 3-month Libor. b) Coupon pays 25bp below 6-month Libor. Minimum coupon 5%, maximum 8½%. c) Final terms fixed on 28/1/93.

Belfox to trade new contracts

THE BELGIAN Futures and Options Exchange (Belfox) is to begin trading options on GIB, the large retailer, and Generale Bank, Belgian's biggest bank, Reuter reports from Brussels.

Belfox said a third contract on the Bel-20 stock market index would be listed shortly after the release of the two latest contracts. Generale Bank is replacing Belgium's number one holding company Ste Generale de Belgique as an option contract.

A spokesman said Belfox was negotiating with several brokers – including foreign companies – to become market maker in the new contracts.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on January 25

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 96	200	106	106½		4.89	ARBED 7 1/2 95 LFr	600	97½	98½		8.63
ALBERTA PROVINCE 9 3/8 95	600	110	110½	+⅛	5.35	ECSC 7 3/4 94 LFr	1000	99½	100½		8.08
[illegible]						[illegible]					

Sections also headed: DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES (Issued, Bid, Offer, C.cpn); SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS (Issued, Conv. price, Bid, Offer, Prem.); YEN STRAIGHTS — [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	70	8
Other Fixed Interest	0	3	12
Commercial, Industrial	251	333	841
Financial & Property	139	142	519
Oil & Gas	20	14	51
Plantations	1	0	8
Mines	17	48	76
Others	20	60	26
Totals	448	670	1,541

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	105	103	For. & Col. PEP Inv Tst	105		F3.38	-	4.3	-
51	F.P.	-	68	52	Intl. Food Machinery	63	-1	-	-	-	-
£10¼	F.P.	-	£10¼	£10¼	Mauritius Fund	£10¼		-	-	-	-
50	F.P.	-	57	52	OIS Intl.	57		N1.9	2.8	4.4	10.6
-	F.P.	-	2	1½	‡Prime People Warrants	1½		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+or -
100p	F.P.	-	117p	115½p	Bristol Water 8¾pc Pf.	[illegible]	[illegible]
100p	F.P.	-	108½p	105½p	Commercial Union 8¾pc Cm. Pf	[illegible]	[illegible]
100	F.P.	-	114¼	109¾	RFC 7¾pc Cv. Bd. 2007	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or -
25	F.P.	1/3	16	13	Property Trust	13	
50	Nil	15/2	20pm	12pm	Trio Holdings	18pm	+2
3	Nil	24/2	1pm	¼pm	West Trust	1pm	+¼

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Jan. 25
● Last Dealings Feb. 12
● Last Declarations May 6
● For settlement May 17

3-month call rate indications are shown in Saturday editions.

Calls in Anglia Secured Homes, ASDA, Barratt Devs., Britton, D.C. Cook, Dobson Park, Enterprise Computer, G.M. Firth, Lamont, Mid-States, MTM, Pittencrieff and Trio. Puts in Automated Security, Evans Hldgs. and Shanks & McEwen.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*597)	550	53	67	77	1	8	21
	600	10	33	45	8	26	43
ASDA (*65)	60	7½	11	14	½	4½	6
	70	1	5	10	5	9	11½
Brit. Airways (*271)	260	13	26	33	1	10½	21
	280	2	16	23	11	21	31
SmKl Bchm A (*494)	475	22	-	-	1½	-	-
	500	5½	25	42	9	27	35
Boots (*517)	500	20	37	46	3	13	25
	550	1	13	23	34	40	52
B.P. (*231)	220	12	18	23	1	7½	13
	240	1½	8½	14½	11	18	23
British Steel (*65)	60	6	10	13½	1	4½	7
	70	1	5½	8½	6	10	12½
Bass (*592)	550	45	62	76	1	11	22
	600	4½	32	48	14	28	43
C & Wire (*711)	700	18	46	64	3½	24	40
	750	1	22	39	40	53	68
Courtaulds (*542)	500	45	59	68	1½	9	20
	550	3½	27	40	11	30	42
Com. Union (*619)	600	23	39	48	1	22	33
	650	1	14	27	35	54	63
Fisons (*223)	220	8	25	34	4	19	29
	240	1	16	25	19	31	41
GKN (*458)	420	40	47	53	2	11	17
	460	4½	20	31	8	30	36
Grand Met. (*435)	420	19	36	45	2	14	22
	460	2	15	29	27	35	42
I.C.I. (*1107)	1100	14	49	75	6½	64	77
	1150	3	25	54	45	98	110
[illegible]							
(*319)	330	2	13	20	12	17	23
Sainsbury (*554)	560	9	32	44	4	18	31
	600	1	11	22	47	50	60
Shell Trans. (*529)	500	30	35	45	1	11	16
	550	1	8	19	23	40	44
Storehouse (*211)	200	14	24	31	2	8½	15
	220	2½	14	21	10	19	25
Trafalgar (*92)	90	4	10½	15	1½	6½	11
	100	1	6½	10½	8	12	16
Utd. Biscuits (*356)	330	27	34	39	1½	8½	15
	360	4	15	22	7	24	30
Unilever (*1108)	1100	14	48	68	7	36	46
	1150	3	25	46	46	66	75

Further option series (Brit Aero, BAA, BAT Inds, BTR, Brit. Telecom, Cadbury Sch, Eastern Elec, Guinness, GEC, Hanson, LASMO, Lucas Inds, P. & O., Pilkington, Prudential, Abbey Natl, Amstrad, Barclays, Blue Circle, British Gas, Dixons, Eurotunnel, Glaxo, Hillsdown, Lonrho, HSBC, Natl Power, Reuters, R. Royce, Scot Power, Tesco, Thorn EMI, TSB, Vaal Reefs, Wellcome, FT-SE Index) — [illegible]

*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Mon Jan 25	Day's change %	Fri Jan 22	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	127.30	-0.13	128.18	0.93	1.67
2	5-15 years (22)	144.74	-0.22	145.49	1.77	1.54
3	Over 15 years (8)	149.94	-0.35	150.48	1.26	1.05
4	Irredeemables (6)	170.33	-0.42	171.05	2.24	0.00
5	All stocks (60)	141.04	-0.21	141.82	1.41	1.51
	Index-Linked					
6	Up to 5 years (2)	184.14	....	184.12	1.23	0.00
7	Over 5 years (11)	165.13	-0.08	165.25	0.50	0.62
8	All stocks (13)	166.48	-0.06	166.58	0.58	0.55
9	Debs & Loans (62)	124.09	-0.22	124.35	3.13	0.26

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jan 25	Fri Jan 22	Year ago (approx.)
	British Government				
1	Low	5 years	7.00	6.91	8.75
2	Coupons	15 years	8.34	8.29	9.23
3	(0%-7¾%)	20 years	8.62	8.58	9.23
4	Medium	5 years	7.40	7.31	9.53
5	Coupons	15 years	8.78	8.74	9.33
6	(8%-10¾%)	20 years	8.98	8.96	9.28
7	High	5 years	7.59	7.53	9.77
8	Coupons	15 years	9.05	9.01	9.41
9	(11%-)	20 years	9.12	9.09	9.33
10	Irredeemables (Flat Yield)		8.96	8.92	9.44
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.40	2.40	3.87
12	Inflation rate 5%	Over 5 yrs.	3.82	3.81	4.28
13	Inflation rate 10%	Up to 5 yrs.	1.54	1.53	3.21
14	Inflation rate 10%	Over 5 yrs.	3.62	3.62	4.10
15	Debs &	5 years	8.82	8.82	11.04
16	Loans	15 years	9.88	9.84	10.81
17		25 years	10.06	10.02	10.64

Surveys show that equities expected to remain stable or rise

Institutions' confidence rises

By Norma Cohen, Investments Correspondent

INSTITUTIONAL investors are expressing overwhelming confidence in the stock market, according to two surveys published yesterday.

Godwins, the actuarial consulting company, in its monthly survey of investment attitudes, has found that 98 per cent of investment managers surveyed expected UK equities to either remain stable or rise during the next 12 months.

Minet Consultancy, the independent financial advisers, found that its own Investor Confidence index at the end of December 1992 was the highest since the index was first compiled in December 1987.

The index had surged 60 per cent to a peak of 152.5 from the previous figure of 95.1 at the end of September.

The Minet index is compiled from an analysis of the liquidity positions of 12 large life insurance and pension fund managers.

The average cash holding of the firms surveyed fell to 2.96 per cent at the end of December, compared with 4.74 per cent three months earlier. The range of cash holdings, not including those who normally hold very little cash, ranged from 0.9 per cent at Abbey Life to Legal & General's 5.8 per cent.

Mr Ian Chalmers of Minet, who compiles the index, said that while institutions had been responsible for driving up the market, their present low liquidity levels meant that future gains in stock prices were likely to have to come from private investors.

One source of fresh funds into the stock market could be the equity investment products with capital protection features now being marketed aggressively by building societies to their own depositors, Mr Chalmers said.

The Godwins "Cityscope" survey found that overall, institutions were far more optimistic about the economy's prospects over the next 12 months than they were even a month ago.

Two-thirds of those surveyed said they expected conditions to improve, up from 44 per cent in December, while 85 per cent said they expected the prospects for corporate earnings to improve over the next year, up from 71 per cent.

In foreign markets, UK institutions were showing less confidence in the US stock markets, with 74 per cent of those surveyed expecting a rise from present levels. In December the figure had been 85 per cent. But Europe was looking more attractive with 82 per cent of those surveyed expecting equities prices to rise, compared with 70 per cent.

Minorco's stance may hinder JCI plans

By Andrew Bolger

PLANS BY Johannesburg Consolidated Investment, the South African mining company, to buy a 29.9 per cent stake in Johnson Matthey, the precious metals group, may not go unchallenged.

Charter Consolidated, the UK industrial conglomerate, owns a 38.4 per cent stake worth about £350m in Johnson Matthey. It has been discussing selling to JCI a 29.9 per cent stake to avoid triggering a full bid for JM, and would have sold the rest of its shares in the market.

However, Minorco, the European-based investment arm of Anglo-American which holds a 36 per cent stake in Charter, yesterday pointed out that any such transaction would require the approval of Charter shareholders.

Minorco said it had supported Charter's plans to seek ways of realising its investment in JM, but would examine any proposals put to it by Charter to ensure that any disposal was in the best interests of all shareholders.

Analysts took that as suggesting that Minorco would want Charter to obtain the best price for its JM stake, regardless of whether the sale led to a takeover bid. JCI would be acceptable to JM because it is thought to have no intention of bidding for the entire company.

If the sale of the JM shares does go ahead, Charter could use the proceeds to repurchase Minorco's stake in the company. Charter would have preferred to announce both deals simultaneously, but accepts that the leaking of the disposal story means that it is only likely to be able to proceed in stages.

JM's shares rose last week on speculation that Charter had been approached by a company wanting to buy its entire interest. Yesterday they closed 8p higher at 506p, while Charter shed 6p to 692p.

Regal Hotels

The rights issue by Regal Hotels of 160.34m new ordinary shares was taken up as to 118.93m shares (74.17 per cent). The balance has been placed.

Excalibur shares fall as first half loss revealed

By Peggy Hollinger

EXCALIBUR shares tumbled 19 per cent to 8½p as the jewellery and engineering company revealed interim losses at the midway stage and halved the interim dividend to 0.2p.

The pre-tax loss for the six months to October 31 was £183,000, against a profit of £905,000 last time. Sales fell 8 per cent to £30.3m.

Analysts, surprised by the extent of the reversal at the operating level from £3.1m to £654,000, reduced forecasts for the full year from less than £2m pre-tax to break-even.

Mr Michael Griffiths, chairman, said he had been disappointed by the effect of a decline in jewellery on the other businesses. "With the exception of jewellery . . . our businesses were within £8,000 of budget," he said.

The jewellery division, operating in a market which Excalibur estimates has declined by 60 per cent in two years, suffered operating losses of more than £1m, against a small profit last year. Margins had fallen by about 50 per cent in the face of severe price-cutting and stock-dumping by competitors.

Action had been taken to stem losses, and about 37 per cent of the 100-strong workforce had been made redundant, Mr Griffiths said. However, the division was unlikely to return to profit in the full year. Mr Griffiths said retailers were likely to remain cautious, even when economic recovery began.

The giftware operation was also adversely affected by the downturn in consumer spending. Profits were significantly down on the previous year.

The engineering division offered a slightly better return with a small increase in operating profits from aerospace. Industrial products experienced mixed fortunes, with the off-road vehicle business continuing to incur losses.

Mr Griffiths said engineering order books were about the same, if not slightly better. Yet margins continued to be under pressure.

Interest charges were 23 per cent lower at £637,000. However, gearing at 83 per cent was higher than last year's 69 per cent following the £600,000 purchase of a small business to add to the industrial product division.

Mr Griffiths said the group had generated some £2m more than expected from cash flow. This contributed to capital expenditure of £1m in the first half.

Losses per share was 0.6p, compared with earnings of 0.8p last year.

● COMMENT

With any other company investors might well be preparing for the worst. However, Excalibur appears to have secured its future with the recent debt restructuring to provide long-term finance. Add to that the purchase of shares by all directors over the course of the past year, and Excalibur might not be so easy to write off. The betting appears to be on something significant to release value in what is seen to be a respected engineering company: perhaps the sale of the giftware division. This would allow swingeing rationalisation of the jewellery operation and improve the debt position. When this happens, it might be worth taking a closer look at Excalibur. The value seems to be there, but it might be a bit too early to bet on it.

Sanderson Murray £1.5m buy

By Matthew Curtin

SANDERSON Murray & Elder, the north-of-England motor distributor, is to buy a £1.47m site in Manchester to house its two Ford dealerships in the city, and sell its small Lancaster Rover dealership.

SME said yesterday the sale of the Lancaster dealership, was "in line with SME's strategy of concentrating on building a group of larger volume dealerships".

It was bought as part of the package of three dealerships acquired from Avis in 1990, when entrepreneur Tony returned to the motor trade and took SME out of textiles.

SME said in September that its Manchester dealerships, bought for £2m in 1991, had not performed well in the six months to June 30, contributing to a fall in interim pre-tax profits from £765,000 to £633,000, in spite of higher turnover of £51.1m (£27.5m).

Ms Del Barratt, of house brokers Albert E Sharp, said the Manchester sites were poorly located and equipped, and the move would enable SME to reduce overheads and improve the truck and car dealerships' performance. She forecast 1992 profits of £1.35m (£1.55m), rising to £1.75m this year.

SME said the Manchester deal was conditional on the group achieving the £900,000 sale of its Rover dealership to Coltread .

Waterglade cuts debt to Bank of America with asset sale

By Richard Gourlay

WATERGLADE International Holdings has agreed a financial restructuring that involves Bank of America, its largest bank, taking control of the property company's biggest asset.

In return for Waterglade's shopping complex in Havant, Hampshire, which has a book value of £16.2m, Bank of America has extinguished all but £1.7m of debt. This balance will be paid over a two-year period.

Mr David Cunningham, chairman, said the deal was crucial to the rescue. The company "was heading for the iceberg and now there is a good chance it can be stabilised," he said.

As a result of the deal, the group's debt falls from £41.49m to £25.3m.

Net assets at the last balance sheet date were £3.3m and the group yesterday reported an attributable loss of £765,000 in the six months to September 30.

Mr Cunningham said the full market value was not wholly reflected in the books as all the properties had been moved into current assets and were held at cost.

Waterglade will now embark upon a capital reorganisation.

The chairman said debts with some other banks are still to be tidied up. The company would then provide a platform for the building of stakes in other property companies that are in difficulty.

Waterglade's remaining assets include property in London and Wales with a book value of £27m and rent role currently at £1.9m.

The interim pre-tax deficit was £954,000, compared with £3.33m in 1991, and the loss per share worked through at 5.9p (12.6p).

Principality improves to £17m

By John Gapper, Banking Correspondent

THE PROSPECT of building societies maintaining profitability despite the depressed housing market was reinforced yesterday as the Principality Building Society announced a 13 per cent rise in annual pre-tax profits from £15.1m to £17m.

The Principality, the 24th largest society by asset size, is the first to announce profits for the year ending December 31 1992. Its pre-tax outcome was helped by bad debt provisions being held at £1.6m, against £1.5m in 1991.

Mr John Mitchell, chief executive, said the low bad debt charge on a mortgage book of £890.6m (£823.1m) reflected the fact that the society assessed lending risk centrally rather than through its 49 branches.

Mr Mitchell said the result was due to prudent management. It did not simply have a better bad debt record because it carries out little lending in the depressed housing market of south-east England.

Peter Alan, the society's estate agent subsidiary, recorded a profit for the second year running. The number of the society's borrowers in arrears fell by 14 per cent, while repossessed properties fell by 15 per cent.

The society's profit after tax as a percentage of total assets rose slightly to 1.07 per cent (1.06 per cent). Mr Mitchell said it had maintained a level of profitability over five years unmatched by any of the top 20 societies.

Mr John Wriglesworth, building societies analyst at UBS Phillips & Drew, said the society's "excellent" results were an indicator of the resilience in society profits that was likely to be seen in the coming reporting season.

The society's total assets rose to £1.12bn (£1.03bn), while its ratio of gross capital to assets strengthened to 7.35 per cent from 6.69 per cent.

Lionheart buys Devon woodworking business

By Ian Hamilton Fazey, Northern Correspondent

LIONHEART, the Knutsford-based home improvements, DIY, paint brushes, house wares and retail systems group, has bought The Carpenter's Workshop, a woodworking business in Barnstaple, Devon, from the receiver.

It wants the extra capacity to make a range of home and bathroom products that look and feel like rain-forest hardwoods - and weigh as much - but are made from polystyrene waste, notably discarded beakers from McDonald's, the hamburger chain.

Lionheart hopes to have them on sale in retail DIY sheds in the autumn, when their environmental friendliness will be a principal selling point.

Unlike some wood substitutes, the new material can be extruded through dies into complicated profiles.

Compressing the waste during processing increases its density and weight.

Mr Paul Lever, executive chairman of Lionheart, said yesterday the development would cost about £300,000.

He added: "Last year was awful. Not only did sales volume fall throughout our industry, but we were squeezed by the price war between the DIY sheds. Manufacturers and suppliers were caught in the middle."

Lionheart was urged to rescue The Carpenter's Workshop by Homebase and Marks and Spencer, two of the protagonists in the retail war. The price is believed to have been about £250,000.

He also revealed that Newell, the US company which is the biggest paint brush maker in the world, has increased its holding in Lionheart from 13 to 20 per cent, as planned. The next largest shareholder is Equitable Life with nearly 7 per cent; about a fifth of the shares are in private hands.

Allied-Lyons in Indian joint venture

By Stefan Wagstyl in New Delhi

Allied-Lyons, the food and drinks company, is establishing a joint venture in India with Tata Tea, India's largest tea producer, for marketing tea in India and in export markets.

The partners are investing Rs100m (£2.24m) in a new factory in Cochin, south India, which will produce packet tea and teabags.

The two companies plan to launch round tea bags later this year and in new export markets, including countries in the Middle East, eastern Europe and the former Soviet Union.

Lyons Tetley has been buying tea from Tata for many years. Last year the British company bought its entire requirement of instant tea for the US, one of Lyons Tetley's biggest markets, from the company.

Thames in tv and film joint venture

By Raymond Snoddy

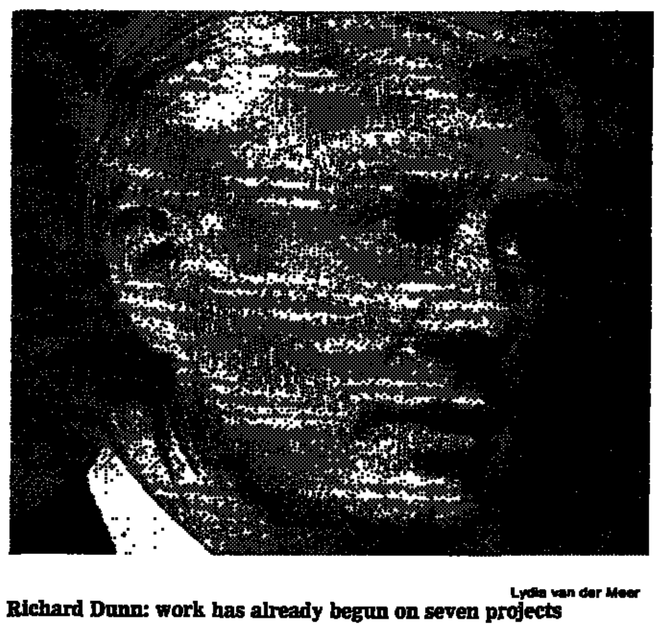
THAMES Television is joining forces with International Artistes to co-produce a wide range of television and film projects for the world markets.

Thames is investing a "substantial" but undisclosed sum in the deal, which is an indication of the way television in the UK is moving closer to the US model.

"Television production is a mixture of talent and business. This partnership of the combined reputations of Thames and International Artistes will be a major creative force in an expanding broadcast industry," Mr Richard Dunn, chief executive of Thames said yesterday.

Now that Thames is no longer an ITV broadcaster it is free to do business with ITV, Sky, Channel 4, the BBC and others in a way that could not have happened before.

The new partnership has already begun pre-production work on seven projects in the entertainment area including a



Lydia van der Meer

Richard Dunn: work has already begun on seven projects

controversial drama on the mystery surrounding the death of the "King" of Rock'n Roll, Elvis Presley.

The partnership's early comedy output will feature comedians Ronnie Corbett and Max Boyce.

Ronnie Corbett will play the press secretary of one of the younger members of the Royal Family in an, as yet untitled, situation comedy.

Feature films are also planned including the movie debut of Hale & Pace.

Recently Mr Dunn forecast that despite losing its ITV franchise Thames should have a turnover this year of £100m for its continuing businesses, particularly independent programme production.

Meanwhile Thames says it is still talking with a wide range of potential investors in its Channel 5 consortium despite its application being rejected last month by the Independent Television Commission. The plan is to present the ITC with a properly-funded project as quickly as possible.

As well as companies such as Time Warner it is believed that CanWest, the Canadian international broadcaster which pulled out of the project last year, has shown renewed interest.

Seeking a judicial review of the ITC's decision has not yet been formally ruled out.

St Andrew shows 10.3% rise in net asset value

By Philip Coggan, Personal Finance Editor

ST ANDREW Trust, which is the subject of a bid from Ecclesiastical Insurance Office, reported a 10.3 per cent rise in net asset value, from 226.1p to 249.5p, in 1992.

It also announced a second interim dividend of 4.85p per share in lieu of a final. This maintains the total at 7.55p from earnings of 7.42p (7.12p).

The EIO offer is a technical one designed to meet EC regulations. Acceptances passed the 50 per cent mark last week but EIO does not want more than 75 per cent because that would jeopardise St Andrew's investment trust status; those who accept will receive the higher of 237p or 93 per cent of St Andrew's formula asset value.

About 65 per cent of the portfolio is in the UK: the remainder is split between the US (14 per cent), the Pacific Basin (12 per cent) and continental Europe (8 per cent).

Mr David Ross Stewart, chairman, said "although it is still too early to assume a rapid acceleration towards global economic recovery, there are some encouraging signs."

Templeton Emerging net asset value lifted 3.4%

By Philip Coggan, Personal Finance Editor

TEMPLETON Emerging Markets Investment Trust, the specialist fund investing in markets such as Brazil and the Philippines, increased its fully diluted net asset value by 3.4 per cent in the first half of its financial year.

At October 31, its value per share was 214.23p, compared with 207.2p on April 30. The trust was launched in June 1989 and produced the fifth best share price performance of all investment trusts, according to Micropal, over the three years to January 1.

The trust had investments in 157 companies operating in 13 markets at the end of October. It hopes to launch a savings scheme for small investors this year.

In accordance with policy, the trust is not paying an interim dividend. The shares fell 1p to 222p yesterday.

Ashcroft steps down as managing director in his latest venture

By Chris Tighe

MR JOHN ASHCROFT, the former Coloroll chairman, is stepping down as managing director of Survival Aids, theoutdoor clothing company, which was his first acquisition following the Coloroll's collapse with debts of about £350m.

Mr Hugh Lapham, former operations director for B&Q, replaces him next Monday. He has already begun work at the Cumbria-based business on a consultancy basis.

Confirming the management change yesterday Mr Ashcroft, who remains chairman, said it was always his intention to appoint a full-time managing director in 1993, after spending two years in the driving seat.

He said the business, the retail branch network of which he has extended from three shops to 14, covering Glasgow to Bristol, now needed somebody with good retail expertise to take it forward. The departure of Mr Colin Corlett, the finance director was also a factor in the decision to bring in a full-time managing director.

Late last year, some suppliers to Survival Aids were complaining about late payment. Yesterday, Mr Ashcroft said he had not been happy with Survival Aids' payment situation and was nervous about trading prospects for this year.

He disclosed that he and two other key shareholders, who together have a 72 per cent stake, had made a further investment, bringing the total to £1m.

"I suggested we strengthen the management team and put in more money," said Mr Ashcroft. "I felt the business would benefit from having a stronger balance sheet and a better cash position."

Since acquiring Survival Aids, Mr Ashcroft has bought two other companies, which he declined to name.

Way open for dividends from Kelt Energy

The way is open for Kelt Energy, the USM-dealt oil and gas group controlled by French entrepreneur Mr Hubert Perrodo, to pay dividends as a capital restructuring, agreed in October, came into effect.

As a result of resolutions passed at an extraordinary meeting in October, the deficit on the profit and loss is reduced by £63m and "substantially eliminated", Kelt said. Reserves were also cut by £2.2m.

Parkland Textile in £0.6m disposal

Parkland Textile (Holdings), the Bradford-based woollen yarn and worsted cloth manufacturer, has disposed of its garment marketing and overseas manufacturing operation to Albion for £631,452.

The consideration comprises a cash payment of £131,435 and a secured loan note of £500,000.

The sale completes Parkland's exit from garment manufacture.

Stakis dismisses Robertson reports

STAKIS, the Glasgow-based hotels, casinos and nursing homes group which announces its results for 1992 on Thursday, yesterday dismissed weekend reports that Sir Lewis Robertson, chairman, was to announce his retirement.

"It has not been considered by the board," the company said, calling the reports speculation.

Sir Lewis came in as chairman of Stakis in 1991 when the company faced a financial and management crisis. It is expected to announce in the results that it has moved a pre-tax loss last year of £47m to around break even.

It is also expected to announce a one-for-three rights issue and the sale of its nursing homes subsidiary, Ashbourne Homes.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Budgens, Cantors, Dale Electric, Lister, Murray Smaller Markets Trust, Reject Shop, Wood (John D).

Finals- Domino Printing Sciences, Heritage, Shandwick.

FUTURE DATES

Interims-

Bristol Channel Ship Rep	Feb. 4
CRT	Feb. 1
Ericsson (LM)	Aug. 19
Etonbrook Props	Jan. 29
Markheath	Jan. 29
Polypipe	Mar. 23
Prior	Jan. 29
Wiggins Group	Jan. 29

Finals-

Bowthorpe	Mar. 17
Cadbury Schweppes	Mar. 10
Caldwell Invs	Feb. 1
City Site Estates	Jan. 28
Dewhirst	Apr. 7
Ericsson (LM)	Feb. 9
Fleming American Trust	Jan. 29
London & Manchester Group	Apr. 5
Rentokil	Mar. 18

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Excalibur ....int	0.2	Apr 2	0.4	-	1
GT Japan Invest ....int	0.4	Mar 5	0.4	-	1.4☆
Heath (Samuel) ....int	1.5	Apr 6	1.5	-	5.5
Hong Kong Invest ....int	0.75	Mar 12	nil	-	1
Lookers ....fin	4.2	Apr 30	4.2	6.2	6.2
St Andrew ....fin	4.85	Apr 6	4.85	7.55	7.55
TR Smaller Trust........int	1.5	Mar 12	1.5	-	3.7

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆Includes special payment of 2.5p.

هكذا من الأصل

Re-routed via the Stock Exchange

James Buxton on the proposed flotation of Stagecoach Holdings

WHEN THE river Tay burst its banks last week and flooded the offices in Perth of Stagecoach Holdings, Mr Brian Souter, chairman and chief executive, waded in, rolled up his sleeves and shifted documents and equipment up the narrow staircase to the first floor.

Though Mr Souter now runs a company which employs 11,000 people and turned over £140m last year, he is a hands-on manager who on occasions still takes the wheel of one of the 3,300 buses which the company operates in Britain and overseas.

Stagecoach is seeking a Stock Exchange quotation in April which could value the company at some £100m, a development which Mr Souter sees as a natural progression for a business which he and his sister began with a handful of buses in 1980.

The story of Stagecoach is a lesson in the application of private enterprise to the often hidebound world of public transport. It has lessons for the privatisation of British Rail – indeed last year it became the first private company to operate a regular passenger train service by attaching carriages to BR trains.

Stagecoach began when Mr Souter, a chartered accountant with Arthur Andersen, and his sister, Mrs Ann Gloag, then a nurse, began a long-distance coach operation between Dundee and London, undercutting the established Scottish Bus group operation. Their father was bus driver in Perth.

The company's big expansion came when the National Bus Company was broken up and privatised after 1985. Stagecoach bought bus companies in Hampshire, Cumbria and the east Midlands.

Brian Souter: a hands-on manager who on occasion still drives one of the company's 3,300 buses

It then made further acquisitions among companies which had staged management buy-outs from National Bus Company whose managements, Mr Souter says, "had exhausted themselves in the MBO process," and also acquired three Scottish bus companies, two of them from the privatisation of the Scottish Bus Group.

In each purchase the Stagecoach team acted as a catalyst, Mr Souter says, "releasing energy which was buried there among the middle management." The company cut out tiers of management, re-examined routes, introduced a variety of sizes of buses, as well as investing heavily in new fleets and agreeing productivity deals with the labour force.

For a time the company benefited from sales of property acquired in privatisation. In one case it acquired the bus station in Keswick at a book value of £55,000 and sold it for £705,000. In another it sold the bus station in Whitehaven for £1.1m, having paid £165,000.

Twice Stagecoach has had to comply with recommendations of the Office of Fair Trading to divest itself of acquisitions considered to be posing a threat to competition. Profit margins have been pushed up from the 5 per cent of turnover which Stagecoach says was being achieved under National Bus Company to between 10 and 15 per cent.

Stagecoach now has a geographical spread from the south of England to the north of Scotland, giving some insulation from economic downturns in any single area. Its buses are painted in a single livery and can be transferred from one area to another to meet fluctuations in demand.

The company has also applied its formula to bus companies in Kenya, Malawi and New Zealand, where the authorities have chosen the privatisation route. Stagecoach even operates buses in China, paid for with the proceeds of advertisements on their sides.

In 1992 Stagecoach's pre-tax profits reached £8.2m, compared with £2.5m in 1991, on turnover which rose from £103.3m to £140.7m.

The flotation, Mr Souter says, will give the company the resources it needs for further expansion. About 35 municipal bus companies in England are due for privatisation in the next year or two and the government is to privatise the London Buses.

The franchising of British Rail services is an obvious opportunity to be looked at, though the overnight service between Scotland and London which Stagecoach launched last year failed to attract enough passengers and has been scaled down.

Though Noble Grossart, Stagecoach's Edinburgh merchant banker, is sponsoring the share issue and UBS Phillips & Drew has been appointed stockbroker, no details are being disclosed, though it is likely to be worth about £100m.

Of Stagecoach's 21m issued ordinary shares, Mr Souter, 38, owns 9.1m and his sister Mrs Gloag, the 50-year-old managing director, owns 8.7m. Eight Scottish institutions hold convertible cumulative preference shares worth £5m under a formula which was to give them between 16 and 25 per cent of the ordinary shares.

Mr Souter evidently co-operates happily with his sister. While he provides the ideas, she runs the administration and negotiates some hard bargains with bus manufacturers and bulk fuel suppliers.

On Sundays they go to the evangelical church of the Nazarene, where Mr Souter is an occasional preacher.

Allders may return to market in autumn

By Angus Foster

ALLDERS, the department store and duty free company which was taken private after a £224m buy-out from Hanson in 1989, is considering returning to the stock market, possibly in the autumn.

No timetable for the possible flotation has been fixed, and the company is now recruiting a stockbroker and other advisers. Schroders, which arranged a 1991 financial restructuring for the company, is likely to be retained as financial adviser.

The restructuring, prompted by poor trading conditions and a looming debt repayment peak, included a £10m injection of fresh equity, underwritten by Prudential Venture Managers, 3i and CIN Venture Managers.

Following the 1989 buy-out, Allders said it wanted to return to the stock market within four years to use the proceeds of the flotation to pay off borrowings.

Allders operates 11 UK department stores and claims to be the world's second largest duty free retailer, after Duty Free Shoppers of the US.

TDG in French sale

Transport Development Group has accepted an offer to sell Transports Liberatore, a French 55 vehicle general haulage company, to its management. Also two of TDG's main French operating companies, Innocenti Freres and Royal International have merged to form Innocenti-Royer.

Lookers 'off the bottom' as margins recover

By Angus Foster

LOOKERS, the Manchester-based motor dealer, was again affected by recession in the year to the end of September but has started to see signs of recovery.

Mr Ken Martindale, chairman, said sales in the first quarter of the current year were "somewhat higher" than the 14 per cent increase reported by the motor industry. He said margins, which have been depressed by stock overhangs and manufacturers selling nearly new cars, started to recover in December and have maintained the trend this month.

"We're certainly off the bottom," he said.

Pre-tax profits fell from £3.21m to £1.81m in the year to September 30 as a result of volume and margin losses. Turnover dropped from £359.6m to £332.7m.

Mr Martindale said gearing had fallen from 115 per cent to a little less than 100 per cent, of which half was held in the contract hire division. Looker was proposing to sell 51 per cent of that operation to Woodchester Credit Lyonnais, a subsidiary of Woodchester Investments, for between £1.52m and £1.77m. Proceeds would be used to reduce borrowings.

There was an extraordinary charge of £146,000 to cover the costs of closing a subsidiary after the year end.

Earnings fell from 2.1p to 0.9p. The directors decided to maintain the final dividend at 4.2p for an unchanged total of 6.2p, on the grounds of prospects for recovery and the expected fall in gearing.

Siemens keen to acquire GEC's 60% stake in GPT

By Alan Cane

SIEMENS, the German electrical and electronics group, is eager to buy from GEC the 60 per cent stake in GPT it does not already own, but so far the UK company has shown no willingness to sell.

Neither Siemens nor GEC would comment yesterday on reports that the German company had offered Lord Weinstock up to £800m for GEC's share in the telecommunications equipment maker.

GPT, which last year made £127m in pre-tax profits, was formed through the merging of the telecommunications manufacturing interests of GEC and Plessey. It has been jointly owned by GEC and Siemens since 1989 when the two companies successfully made a bid for Plessey.

Siemens' UK operations were profitable last year but if the contribution from GPT is excluded, the UK subsidiary was in loss.

Mr Jurgen Gehrels, chief executive of Siemens UK, last week said that the price paid for Plessey had been too high because the company had been bought when the market was buoyant.

NEWS DIGEST

Princedale in black with £0.39m

PRINCEDALE Group, the USM-quoted marketing and design agency, stayed in the black in the second half to record its first annual profit since 1988.

In the year ended September 30 1992 the group turned in a pre-tax profit of £389,000, against a loss of £431,000. Mr Stephen Bennett, chairman, described that as encouraging particularly as the market place was difficult.

All three remaining operating units made a positive contribution. Turnover fell from £15.3m to £12.8m because of the sale of companies. There were exceptional charges of £163,000 (£116,000) and a significantly reduced net interest payable of £68,000 (£192,000).

Earnings per share were 0.08p (losses 0.11p).

Hong Kong Invest doubles asset value

Net asset value of the Hong Kong Investment Trust doubled to 44.41p per ordinary share at the half year to December 31 from 22.4p a year earlier, making HKI the top performing ordinary share in the investment trust sector in terms of net asset value.

At the June year end the asset value was 36.1p. The board said that the increase in total assets reflected investment manager's outperformance of the Hang Seng Index as well as sterling's devaluation.

Dividend and interest income rose from £95,254 to £298,582 and net revenue after tax came to £179,406 (£31,925 losses) in the period. Earnings per share were 0.9p (0.16p losses).

An interim dividend of 0.75p has been declared which, the board said is not comparable to the previous year as the scheme of reorganisation changed the revenue profile of the company and no interim dividend was paid.

Sam Heath adjusts to make small profit

Samuel Heath & Sons, hardware and giftware manufacturer, made adjustments after a poor start to the year and was able to make a small profit in the half year ended September 30 1992.

Mr Samuel Heath, chairman, reminded shareholders that business collapsed in the first four months, but "we then adjusted our budgets".

On turnover ahead from £3.46m to £3.55m the pre-tax profit for the period rose from £72,000 to £95,000. Earnings per share came to 2.1p (1.6p) and the interim dividend is held at 1.5p.

Gardiner sells Spanish offshoot

Gardiner Group, the distributor of security and surveillance equipment, is selling its loss-making Spanish subsidiary to its management for a nominal sum.

The company also announced that the investigation into mis-statement of stock, announced last November, was not yet complete but the preliminary review had found that there had been improvements in the present financial controls which were now "generally satisfactory".

The sale of Alarm Parts, which distributes security and surveillance equipment, should result in an extraordinary charge of £2m at the year end, of which £300,000 relates to goodwill previously written off against reserves.

Alarm reported trading losses of about £610,000 in the year to the end of October last. Net liabilities at that date were £400,000. As part of the sale an intercompany loan of £2.1m has been written off.

TR Smaller asset value declines

By the end of November 1992 net asset value of TR Smaller Companies Investment Trust stood at 145.4p, a 6.4 per cent reduction over the six months. A year earlier it stood at 148.8p.

In the half year to November 30 total revenue came to £6.83m (£7.19m) and earnings per share slipped to 1.97p (2.02p). The interim dividend is again 1.5p.

GT Japan invest assets up 18%

Net asset value per share of GT Japan Investment Trust over the six months to the end of December improved 18 per cent from 149p to 176.3p. It stood at 185.6p a year earlier.

Net profits for the six months to December 31 rose from £272,000 to £1.23m for earnings per share of 0.44p to 1.97p but the interim dividend is a maintained at 0.4p.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 26.01.93 Pool purchase price £/MWh	Final Prices for Trading on 28.12.92 Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.61	19.10	19.10
0100	22.00	26.00	27.04
0130	25.23	26.00	27.01
0200	25.23	26.00	26.97
0230	21.82	21.72	22.51
0300	18.61	21.72	22.51
0330	18.68	21.34	22.13
0400	18.32	19.10	19.10
0430	17.80	17.48	17.48
0500	17.80	17.48	17.48
0530	18.49	17.46	17.46
0600	18.49	17.46	17.46
0630	18.47	18.73	18.73
0700	21.60	18.73	18.73
0730	22.53	26.00	26.00
0800	22.61	26.00	26.00
0830	22.61	26.00	26.00
0900	22.63	24.26	25.29
0930	22.64	24.26	25.27
1000	26.93	25.82	26.89
1030	22.65	30.82	32.09
1100	22.65	30.82	32.05
1130	22.65	19.71	19.71
1200	23.55	19.71	19.71
1230	26.93	19.71	19.71
1300	22.64	19.71	19.71
1330	22.62	19.71	19.71
1400	19.36	19.50	19.50
1430	19.31	18.76	18.78
1500	19.31	18.71	18.71
1530	19.32	18.71	18.71
1600	22.62	25.65	25.65
1630	22.95	26.00	26.97
1700	33.43	38.32	39.71
1730	38.34	38.32	39.62
1800	38.23	38.32	39.61
1830	33.20	38.32	39.56
1900	29.60	27.52	28.29
1930	27.12	26.02	26.88
2000	22.61	23.71	24.53
2030	22.61	23.71	24.54
2100	22.61	23.71	24.58
2130	22.58	22.84	23.66
2200	21.60	22.84	23.67
2230	18.60	21.57	22.39
2300	18.41	21.57	22.39
2330	18.01	17.61	17.61
2400	17.63	17.81	17.81

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456786 between 8:30am and 5.15pm Monday to Friday.

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Kuwait says it is willing to join in oil output cut

By Mark Nicholson in Kuwait City

KUWAIT YESTERDAY indicated its willingness to join other members of the Organisation of Petroleum Exporting Countries in cutting the cartel's second quarter output as crude prices received some support from signs at the weekend of an emerging consensus to peg back production by up to 1m barrels a day.

Mr Ali al-Baghli, the Kuwait oil minister, said after talks with Mr Alirio Parra, the Opec president, that all Opec members, including Kuwait itself, should be prepared to cut output to shore up recently softer crude prices. "Cuts are necessary from all states. . . without exception," he said.

Crude prices began the week firmer after Mr Parra's remarks at the weekend that his talks with both the Iranian and Saudi Arabian oil ministers had reached agreement in "substantial areas". Mr Hisham Nazer, the Saudi oil minister, said after his meeting with Mr Parra that all Opec members should make pro-rata cuts amounting to 1m b/d at the February 13 meeting in Vienna to decide second quarter production.

The March delivery price for North Sea Brent crude rose 52½ cents yesterday to $17.87½ a barrel.

Mr Parra told reporters before flying to the United Arab Emirates yesterday that he had discussed an overall cut in Opec production with Mr al-Baghli. "I would hope that if we can adjust the foundation for the market to set the rules of the game, that within those rules, prices will strengthen," he said.

Opec set an overall first quarter ceiling of 24.58m b/d at its November meeting, but has seen significant leakage over that figure and a corresponding slip in prices since. Most industry esitmates put present output above 25m b/d.

Mr Parra said in Qatar yesterday that the proposed 1m b/d cut would amount to an actual cut of "1.5m b/d or maybe more in view of the current production level".

Industry analysts said yesterday that an Opec commitment to cut output in February would require a renewed and firm commitment to the original November ceiling and then a further real cut of at least 400,000 to 500,000 b/d, bringing total output to around 24m b/d, before oil markets would be convinced of Opec's resolve.

Mr Joe Stalislav, of Cambridge Energy Associates, said the "revenue imperative" was strong for all Opec members, but they had still to work out "common language and common ground" on the details of an agreement.

A decision by Kuwait to curb output would substantially help Opec discipline. The Gulf state has insisted since the Gulf war that it should be immune from any output restrictions while it recovers revenues lost during the war.

However, Kuwait is now pumping more than 1.7m b/d, above its formal pre-war Opec quota of 1.5m b/d and oil ministry officials said as early as last year that they might rethink output strategy once production reached present levels.

Although the oil ministry has produced a schedule which anticipates production rising to 1.85m b/d for the second quarter and moving up to 2.15m b/d by the end of the year, the ministry has also previously entertained holding output at near present levels so as to allow a comprehensive study of possible damage to the oilfields sustained during the oil fires of 1991.

A decision to hold output at present levels, or even cut production slightly, might therefore serve Kuwait's self-interest as well as overall Opec discipline.

Chicago and New York exchanges plan merger

By Laurie Morse in Chicago

TWO OF North America's oldest and largest futures exchanges announced yesterday that they will join operations, perhaps setting the stage for other mergers as mature US futures markets struggle for survival.

The directors of the Chicago Board of Trade and New York's Commodity Exchange (Comex) have agreed in principle to affiliate. Under the plan, the CBoT would become the sole owner of the Comex, which has been bleeding volume in recent years and suffering financially.

The cross-country marriage would allow Comex to continue to trade its precious metals futures while the CBoT would maintain its separate interest rate and agricultural contracts.

However, other contracts could be traded jointly, with mutual access for both memberships. Those might include the CBoT's new insurance futures, which are moribund after their first month.

Under the affiliation plan, which must still be ratified by members of both exchanges, the Comex and CBoT would combine the trade clearing operations and marketing and administration activities.

The pact is a coup for the CBoT, which stands to garner the trading power of the Comex's 1,000 members, as well as precious metals contracts it has been unable to sustain in Chicago. A New York foothold could prove invaluable to the CBoT in its efforts to add more New York-dominated government securities trading to its huge US Treasury bond complex.

The Comex has been in need of a financial big brother. Last year, its futures volume fell to 10.7m contracts from 12.6m in 1991. Its primary contracts, gold, silver and high-grade copper, suffered from recession and overseas competition. The London Metal Exchange, in contrast, saw volume soar to 24.7m contracts last year, up from 17m in 1991.

Officials at both CBoT and the Comex have been coping with sagging markets and declining membership values. The CBoT had a 7.6 per cent increase in overall volume last year but its agricultural volume was barely even.

The price of a full seat at the CBoT has fallen to $375,000, far below its high of $550,000 and the value of a similar seat at the Chicago Mercantile Exchange. Comex seat prices are a mere $46,000, down from their high of $350,000 in 1980.

Uzbekistan tempted by golden lure

Steve LeVine on a project that looks likely to overcome the cash-hungry, ex-Soviet republic's distrust of foreign investment

A US company looks likely to win financing for a $100m project designed to squeeze six extra tonnes of gold a year from Uzbekistan's rich mines, thus proving something new about the ex-Soviet republic – it isn't always infuriatingly obstructionist.

"This project is super-important to the government," says Mr Marcel DeGuire, of Newmont Mining Corporation of Denver, Colorado, "because everybody is watching it to see if it works."

So far, few major foreign partnerships have worked out in the Central Asian nation. But last week Mr Ron Freeman, first vice-president of the European Bank for Reconstruction and Development, said the bank would probably provide $70m for the Newmont project; half the remaining $30m would come from Newmont and the rest from the Uzbek government.

The gold project, at Uzbekistan's Murantau mine – the world's largest single gold mine, which produces 50 tonnes a year at a Kizil Kum desert site 250 miles west of Tashkent – would be one of the largest foreign investments in Uzbekistan since perestroika began. "I would not recommend this project unless I thought the government was fully behind it," Mr Freemand said in Tashkent.

Foreign interest in Uzbekistan is nothing new. Hundreds of western and regional traders have paraded through, attracted by the republic's production of the world's fourth largest cotton crop and the eighth largest gold output, as well as its large uranium and oil deposits. But little has come of it. The Uzbek government is probably the most centralised of the 15 former Soviet republics. Officials make virtually no decisions without President Islam Karimov's express permission and he has been painfully slow about allowing free enterprise. The visitor finds few of the small-scale entrepreneurs who offer imported goods from kiosks throughout the Baltics, the ex-Soviet Slavic countries and the Caucasus.

The government desperately wants foreign investment; it simply has been slower than others in adjusting to the pace of business outside the former Soviet Union and mortally fearful of foreign exploitation.

If the Newmont deal goes through, as seems likely, it is probably because it is a cash-cow that the budget-strapped republic can milk immediately for hard currency, while at the same time protecting itself from exploitation. The deal involves extraction of gold from the 150m tonnes of already-mined rock that has been accumulating in a great pile since 1967, not the mining of fresh ore.

The government this month did invite foreign bids to develop a new gold deposit that it said contained about 100 tonnes of gold. The announcement represented a shift for Mr Karimov. Since independence a year ago, Uzbekistan has kept its entire 70-tonne annual gold production, instead of sending it to Russia as it was forced to in the past. According to the government, Mr Karimov has deposited all the subsequent output into national reserves, allowing none to be sold.

Some observers claim Mr Karimov approved the bid only because his hand was forced – gold production has fallen because of supply shortages and antiquated equipment and he may have decided to cut a deal to help turn round the declining industry.

No-one can be sure that the president will actually proceed with such a large gold mining contract, and so it is not at all clear how much, if at all, Uzbekistan's economic atmosphere has changed.

The Newmont plan calls for the company to import crushers, special plastics and other equipment for "heap-leaching" technology, which will extract gold that otherwise probably could not be economically processed.

Newmont, the largest gold producer in North America, is building a similar project in Yanacocha, Peru. It is scheduled to come on line later this year and to produce 100,000 ounces of gold annually.

The company expects the Murantau, Uzbekistan, project to produce six to seven tonnes of gold the first year, when the richest ore will be exploited, and five to six tonnes a year after that. The profit will be split 50:50 between Newmont and the government.

Mr DeGuire, who is a metallurgist, said financing terms were still to be worked out with the European Bank. Mr Freeman said the deal could be completed in two months. On that schedule, the project would be producing gold in the second half of next year, Mr DeGuire said.

So how did Newmont pull it off?

Mr DeGuire credited personal relationships that Newmont executives formed with Uzbek officials, employing a personal touch. When Uzbekistan became independent, for example, Newmont produced a replica of the nation's new flag, plus a couple of thousand of commemorative lapel-pins, the first set of which went to Mr Karimov and his ministers.

"We did a lot of stuff like that. We're also teaching them about cash-flow, so they know whether it's better to have a dollar now or later," Mr DeGuire said. "This joint venture is a model. It's well balanced. It's a pattern they can follow for other projects later."

Poison scare prompts NZ shellfish ban

By Terry Hall in Wellington

THE NEW Zealand government yesterday imposed a total ban on the taking of all shellfish, closing an industry that employs 3,000 people and exports mussels and oysters worth NZ$80m (£27m) a year to the US, Europe and and Asia.

The ban follows a serious outbreak of a poison-producing algae that effects filter feeding shellfish. Ten days ago all the northern North Island fish farms and hatcheries were closed, but today the government extended the ban to the rest of the country after a woman became ill after eating mussels in the Marlborough Sounds at the northern end of the South Island, the main farming area for shellfish.

Officials said that while there might be no connection, it was important that New Zealand could be seen internationally to be doing everything possible to contain the outbreak, which seemed to be related to higher summer temperatures in the water.

The ban is expected to last 10 days.

Growth plan offered to Danish farming sector

By Hilary Barnes in Copenhagen

A RESEARCH report for the Danish Ministry of Agriculture has brought a chink of light to the country's farmers, who are at present sunk in gloom as a result of the reform of the European Community's common agricultural policy and the trend of negotiations on the General Agreement on Tariffs and Trade.

The report, by the Institute for Food and Agroindustrial Development, concludes that over a 20-year period the country should be able to double the value of production by agriculture and horticulture, the food processing industries and the agro-industrial sector as a whole from about DKr180bn (£19bn) to DKr380bn (1990 prices). It says pig production can be increased from about 16m a year now to at least 30m; horticultural output by three or four times; and production value in the food processing industries by a factor of three or four by raising the level of processing and value added. the agro-industrial sector.

Denmark's strong tradition as an agricultural exporter means that it already has exceptionally large world market shares in products such as pigmeat, dairy products, seeds, mink pelts, fish products and several types of machinery and food ingredients.

With a co-ordinated effort between the public and private sectors, it can build on the existing basis to realise a high-growth strategy for the industry, the report says. The barriers to success identified by the report are not market limitations, as even a doubling of production value would only increase Denmark's share of world markets from 3 to 4 per cent, but domestic structural and institutional factors, especially factors preventing a satisfactory capital accumulation and investment. This problem can be solved by institutional and regulative changes, says the report, which points to a need to increase annual investment in the total agro-industrial sector from DKr10bn-12bn at present to DKr20bn-30bn by 2010 and in research and development from DKr2bn-2.5bn to DKr12bn-17bn (1990 prices).

Row over financing threatens future of UN development fund for small farmers

By John Madeley recently in Rome

THE FUTURE of the Rome-based International Fund for Agricultural Development, the United Nations' small farmer agency, is in doubt after the failure of donor countries to agree about a replenishment of its finances.

Ifad is jointly funded by western countries and members of the Organisation of Petroleum Exporting Countries; it is widely recognised as one of the most cost-efficient UN agencies. Set up in 1977, it makes interest-free loans to small farmers in developing countries and has lent about $3.6bn for 337 projects in nearly 100 countries. It claims these projects are helping to grow more than 40m extra tonnes of food a year.

But Ifad has been bedevilled by funding arrangements under which western countries have traditionally contributed 60 per cent and the oil countries 40 per cent of its money. This arrangement has given rise to constant disputes in the last 10 years, with oil countries arguing that they should pay a smaller percentage because of lower oil prices.

Four meetings last year failed to resolve the issue of who should pay how much for the fund's work for the next three years. A fifth meeting in Rome last week again ended with no agreement.

Both groups agree that Ifad should be given about $600m for its next three years' work. But while the West wants to maintain the 60:40 ratio, the oil exporting nations want to contribute less. Saudi Arabia, the largest contributor in the Opec group, last week aroused consternation by refusing to say how much it was prepared to contribute. That gave rise to speculation that its support for Ifad was on the wane.

In what seemed a veiled reference to Saudi Arabia, Mr Peter Freeman, Britain's representative on Ifad's governing council, which also met last week, said: "If Ifad is to continue to perform a useful operation as a separate institution it needs the support of its membership as a whole. If some of the more prominent members feel that it has outlived its usefulness then there will come a point at which we have to recognise that fact. In my view we have not yet reached that point".

Ifad's hopes of survival are now pinned on its new president who was elected at the council to succeed Idris Jazairy of Algeria; Mr Fawzi Hamad Al-Sultan of Kuwait, an executive director of the World Bank, who served as director of the Kuwait Emergency and Recovery Programme in the aftermath of the Gulf war.

The experience he gained in rebuilding Kuwait's economy is thought to have been the decisive factor behind his election. Mr Al-Sultan, who takes over as Ifad president this week, said he was keen to get the replenishment talks going again as soon as possible.

Ifad now has about $150m a year coming in from its investments and loans, but unless donor countries contribute it may not be viable as a separate body. It hopes to lend $336m for 25 new agricultural projects this year. Just before leaving office at the weekend, Mr Jazairy said: "If our funds are not replenished we shall have to cut down next year".

African countries who need support to move towards food self-sufficiency could be hit hard by Ifad's demise. More than two-fifths of its loans have been to Africa. The fund is now trying to finalise a loan that would help Somali farmers who were hit by last year's disastrous drought. But such work is in jeopardy unless it wins its survival battle.

WORLD COMMODITIES PRICES

MARKET REPORT

New York arabica **COFFEE** prices tumbled in early trading yesterday on pessimism over this week's International Coffee Organisation talks in London. The continued chart-based selling in New York sparked further sharp losses in the London robusta market, where the March contract touched a three-month low of $850 a tonne. Dealers said that London had held up comparatively well in view of the extent of losses in the US. Both markets remain heavily oversold with the potential to stage short-term rallies. **BASE METAL** trading on the LME was mostly routine, and prices ended broadly lower. **COPPER** reversed a dip below the $2,220-a-tonne floor of the current $10 range for three-month metal, closing unchanged at $2,228. Analysts said the current formation on the charts suggested that any eventual break-out would be sharp. **LEAD** prices fell to 5¾-year lows in sterling, but the decline largely reflected currency factors, with the dollar equivalent little changed.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Mar)		+ or -
Dubai	$15.50-5.55	+.425
Brent Blend (dated)	$17.65-7.70	+.625
Brent Blend (Mar)	$17.85-7.90	+.525
W.T.I (1 pm est)	$19.45-9.50	+0.70
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$188-188	+4
Gas Oil	$171-172	+5
Heavy Fuel Oil	$72-73	+2
Naphtha	$174-176	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$328.75	-0.5
Silver (per troy oz)♣	369.5c	-4
Platinum (per troy oz)	$361.25	+0.75
Palladium (per troy oz)	$108.50	+0.25
Copper (US Producer)	108.5c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	Unq	
Tin (New York)	274.5c	-1
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	117.64p	+0.32*
Sheep (live weight)†♣	90.00p	+2.54*
Pigs (live weight)†	80.83p	+0.41*
London daily sugar (raw)	$213.00	-0.1
London daily sugar (white)	$260.5	+2.5
Tate and Lyle export price	£247.00	-2.5
Barley (English feed)	£135.50u	
Maize (US No. 3 yellow)	£161.75	
Wheat (US Dark Northern)	Unq	
Rubber (Feb)♥	65.00p	
Rubber (Mar)♥	65.00p	
Rubber (KL RSS No 1 Feb)	239.0m	
Coconut oil (Philippines)§	$432.5y	-12.5
Palm Oil (Malaysian)§	$410.0w	-2.5
Copra (Philippines)§	$277.5	
Soyabeans (US)	£174	-3
Cotton "A" Index	59.00c	
Wooltops (64s Super)	390p	

£ a tonne unless otherwise stated. p-pence/kg c-cents/lb r-ringgit/kg. v-Mar/Apr u-Feb.x-Aug. w-Fob/Mar z-Jan/Mar. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices * change from a week ago, provisional prices

SUGAR - London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
May	192.00	192.00	192.00	
White	Close	Previous	High/Low	
Mar	255.00	253.30	255.00	253.50
May	257.00	254.80	256.60	255.00
Aug	260.50	244.50	259.50	
Oct	246.50	247.30	245.00	
Dec	249.00	246.80	247.00	

Turnover: Raw 2 (32) lots of 50 tonnes. White 1676 (1650) Paris- White (FFr per tonne): Mar 1392.72 May 1408.11

CRUDE OIL - IPE			$/barrel	
	Latest	Previous	High/Low	
Mar	17.95	17.31	17.98	17.45
Apr	18.02	17.46	18.03	17.59
May	18.12	17.61	18.12	17.81
Jun	18.20	17.77	18.20	17.90
Jul	18.27	17.81	18.27	18.04
Aug	18.20	17.89	18.20	18.20
Sep	18.29	17.94	18.29	18.24
Oct	18.33		18.33	
Nov	18.36		18.36	
IPE Index	17.39	17.18		

Turnover 31181 (28239)

GAS OIL - IPE			$/tonne	
	Close	Previous	High/Low	
Feb	167.25	161.75	167.50	163.25
Mar	167.00	162.00	167.50	163.50
Apr	166.25	161.75	166.50	164.50
May	166.00	162.50	166.50	165.50
Jun	166.25	163.25	167.25	165.75
Jul	168.25	165.50	169.00	167.75
Aug	170.25	167.75	170.25	
Oct	174.50		174.75	

Turnover 15686 (9009) lots of 100 tonnes

TEA

Landed demand was less strong, reports the Tea Broker's Association. Selected Coloury Assams ruled firm to dearer but others were 2 to 3p easier with dust grades irregular throughout. Bright liquoring Africans remained about steady while mediums opened firm to but closed 2 to 3p lower, sometimes more. Offshore fair demand at easier rates the highest price realised this week was 230p for a Rwanda pf.1. Quotations: quality 210p/kg, nom good medium 180p/kg, medium 160p/kg, low medium 125p/kg.

COCOA - London FOX			£/tonne	
	Close	Previous	High/Low	
Mar	717	732	734	716
May	723	739	741	723
Jul	733	751	750	735
Sep	744	762	761	744
Dec	761	780	779	763
Mar	782	800	800	782
May	795	813	814	

Turnover: 6032 (5593) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 22 775.99 (767.89) 10 day average for Jan 21 765.67 (762.61)

COFFEE - London FOX			$/tonne	
	Close	Previous	High/Low	
Jan	872	926	889	870
Mar	855	904	879	850
May	862	905	885	859
Jul	853	899	875	850
Sep	861	908	878	864
Nov	877	915	893	872

Turnover:3668 (6808) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 22: Comp. daily 55.99 (56.34) 15 day average 59.63 (60.17)

POTATOES - London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	59.0	59.0	59.5	59.0
May	68.0	69.0	68.0	

Turnover 30 (107) lots of 20 tonnes.

SOYAMEAL - London FOX			£/tonne
	Close	Previous	High/Low
Feb	151.60	-	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT - London FOX			$10/index point	
	Close	Previous	High/Low	
Jan	1280	1280	1280	1280
Feb	1295	1295	1295	1295
Mar	1300	1300	1300	1300
Apr	1290	1295	1301	1290
BFI	1272	1270		

Turnover 82 (232)

GRAINS - London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Mar	137.00	137.30	137.00	136.85
May	139.00	139.25	139.00	138.90
Jun	139.55		139.55	139.55
Sep	109.50		109.50	109.25
Nov	111.60	111.50	111.60	111.45
Barley	Close	Previous	High/Low	
Mar	133.30	133.30	133.50	133.15

Turnover: Wheat 68 (43), Barley 93 (44).
Turnover lots of 100 Tonnes.

PIGS - London FOX		(Cash Settlement) p/kg	
	Close	Previous	High/Low
Mar	104.8	106.0	105.0
Apr	104.6	105.5	105.0
May	104.8	105.5	105.0
Jun	104.0	104.3	104.0

Turnover:11 (23) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 29,325 lots
Cash	1190-91	1196-96.5	1190.5/1189.5	1190-90.5		
3 months	1212-13	1217.5-18	1219/1206.5	1212-12.5	1206-07	166,536 lots
Copper, Grade A (£ per tonne)						Total daily turnover 48,144 lots
Cash	1422-23	1451-52	1438/1435	1435-35.5		
3 months	1442-43	1470-71	1465/1443	1456-57	1443-44	152,468 lots
Lead (£ per tonne)						Total daily turnover 2,656 lots
Cash	273.5-74.5	277-78		275.5-76.5		
3 months	284-84.5	288.5-89	288/282	286-86.5	286-87	18,399 lots
Nickel ($ per tonne)						Total daily turnover 9,437 lots
Cash	5730-40	5790-800	5735/30	5730-35		
3 months	5800-10	5860-65	5840/5780	5800-05	5820-30	43,732 lots
Tin ($ per tonne)						Total daily turnover 2,162 lots
Cash	5875-85	5930-40		5910-20		
3 months	5940-50	5990-95	5990/5940	5975-80	5940-45	8,474 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 18,770 lots
Cash	1052.5-53.5	1057-58	1053.5/1053	1053-53.5		
3 months	1072-73	1076-76.5	1075/1071	1072-72.5	1071-72	65,353 lots

LME Closing £/$ rate:
SPOT: 1.5594 3 months: 1.5451 6 months: 1.5354 9 months: 1.5275

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	328.60-328.90	
Opening	328.40-328.80	
Morning fix	328.60	213.668
Afternoon fix	328.45	210.856
Day's high	328.65-328.95	
Day's low	328.45-328.75	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	0.71	6 months	1.64
2 months	0.88	12 months	2.02
3 months	1.07		

Silver fix	p/troy oz	US cts equiv
Spot	239.50	369.50
3 months	243.50	372.25
6 months	247.10	375.25
12 months	254.55	382.60

GOLD COINS	$ price	£ equivalent
Krugerrand	328.50-331.50	214.00-216.00
Maple leaf	338.30-340.55	-
New Sovereign	78.50-81.50	51.00-53.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Feb	May	Feb	May
1200	24	54	20	27
1225	13	41	34	39
1250	6	30	52	52
Copper (Grade A)	Calls		Puts	
2200	56	81	27	66
2250	31	57	52	81
2300	15	39	86	112
Coffee	Mar	May	Mar	May
950	2	17	97	105
1000		10	145	148
1050		6	195	194
Cocoa	Mar	May	Mar	May
650	69	84	2	11
675	47	66	5	18
700	29	50	12	27
Brent Crude	Mar	Apr	Mar	Apr
1700	80		4	23
1750	52	56	16	35
1800	22	52	38	60

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jan	328.8	328.6	0	0
Feb	328.8	328.6	329.1	328.7
Mar	329.2	329.1	0	0
Apr	329.5	329.4	329.8	328.9
Jun	330.5	330.5	330.6	330.0
Aug	331.8	331.8	0	0
Oct	333.2	333.2	0	0
Dec	334.6	334.7	334.5	334.4
Feb	336.3	336.5	336.5	336.1

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	367.8	368.0	368.0	366.0
Apr	363.8	362.0	364.4	360.5
Jul	360.8	359.4	361.0	359.0
Oct	359.3	357.9	358.0	358.0
Jan	358.1	358.7		

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jan	367.9	369.5	0	0
Feb	368.4	370.0	0	0
Mar	369.2	370.8	371.0	368.0
May	371.7	373.2	373.5	370.5
Jul	373.9	375.6	375.0	373.0
Sep	376.3	378.1	376.0	376.0
Dec	380.2	382.1	381.5	379.5
Jan	381.2	383.1	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	99.10	98.90	99.30	98.70
Feb	99.15	99.00	99.15	98.50
Mar	99.55	99.40	99.90	98.75
Apr	99.75	99.60	99.40	99.15
May	99.90	99.80	100.30	99.25
Jun	100.00	99.90	0	0
Jul	100.15	100.00	100.35	99.55
Aug	100.25	100.10	0	0
Sep	100.35	100.20	100.45	100.00

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Mar	19.51	18.83	19.55	19.17
Apr	19.55	18.96	19.59	19.28
May	19.64	19.08	19.65	19.38
Jun	19.72	19.20	19.73	19.50
Jul	19.74	19.29	19.74	19.60
Aug	19.80	19.36	19.80	19.60
Sep	19.85	19.42	19.87	19.70
Oct	19.86	19.46	19.86	19.76
Nov	19.87	19.47	19.87	19.77
Dec	19.88	19.47	19.88	19.75

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Feb	53.95	52.02	53.95	53.10
Mar	54.60	52.69	54.70	53.90
Apr	54.70	52.97	54.70	53.95
May	54.35	52.89	54.35	53.85
Jun	54.20	52.99	54.20	53.75
Jul	54.50	53.24	54.50	54.00
Aug	55.30	53.99	55.30	54.75
Sep	56.10	55.19	56.10	56.05
Oct	57.30	56.14	57.30	57.05
Nov	58.00	56.99	58.10	58.00

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	943	999	1010	940
May	972	1021	1031	967
Jul	992	1041	1050	988
Sep	1015	1067	1068	1011
Dec	1046	1098	1097	1040
Mar	1076	1128	1127	1070
May	1097	1153	1097	1097
Jul	1114	1170	0	0
Sep	1140	1186	0	0
Dec	1170	1216	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	56.05	62.80	62.80	55.00
May	61.40	67.70	67.40	60.20
Jul	63.60	69.60	69.30	63.60
Sep	65.40	71.30	70.90	65.30
Dec	68.25	73.90	73.50	68.25
Mar	71.70	78.65	76.50	73.75
May	74.00	79.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.47	8.45	8.48	8.41
May	8.68	8.63	8.68	8.60
Jul	8.75	8.73	8.76	8.70
Oct	8.71	8.67	8.71	8.64
Mar	8.79	8.73	8.79	8.73
May	8.82	8.78	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	61.80	62.90	62.60	61.50
May	61.77	62.63	62.50	61.60
Jul	62.45	63.48	62.90	62.20
Oct	61.13	62.12	61.85	61.25
Dec	60.00	61.05	60.80	60.35
Mar	60.80	61.86	61.60	61.60
May	61.80	62.46	0	0
Jul	61.30	63.05	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	75.15	79.75	79.00	75.05
May	78.35	82.70	81.70	78.30
Jul	81.10	85.05	84.30	81.10
Sep	82.60	86.90	86.70	82.60
Nov	84.50	86.05	85.25	84.50
Jan	86.00	88.55	88.00	87.00
Mar	89.55	88.55	90.00	89.60
May	90.05	90.30	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Jan.25	Jan.22	mnth ago	yr ago
1698.7	1705.3	-	1601.5

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jan.22	Jan.21	mnth ago	yr ago
Spot	123.12	124.20	121.32	115.11
Futures	121.50	121.70	122.06	122.98

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Mar	576/2	581/2	581/2	576/0
May	579/4	584/6	584/2	579/0
Jul	584/0	589/2	588/4	583/0
Aug	585/0	591/0	589/0	585/0
Sep	585/0	589/6	589/0	585/0
Nov	589/2	595/0	594/4	588/2
Jan	596/0	602/2	0	0
Mar	604/0	610/0	608/0	604/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	21.08	21.46	21.38	21.06
May	21.31	21.66	21.62	21.30
Jul	21.51	21.87	21.79	21.48
Aug	21.53	21.92	21.78	21.53
Sep	21.56	21.93	21.85	21.56
Oct	21.56	21.93	21.85	21.56
Dec	21.64	22.01	21.90	21.60
Jan	21.70	22.00	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Mar	183.7	183.6	184.1	182.6
May	183.5	183.6	184.0	182.6
Jul	184.7	185.0	185.1	184.0
Aug	186.1	185.4	185.2	184.6
Sep	185.9	186.1	186.5	185.5
Oct	186.5	187.2	186.5	186.4
Dec	188.6	188.8	189.0	187.8
Jan	189.5	189.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	217/2	218/4	218/0	217/0
May	225/2	226/4	226/0	225/0
Jul	232/2	233/2	233/0	231/6
Sep	238/2	239/2	238/6	238/0
Dec	244/4	245/4	245/0	244/4
Mar	251/2	252/2	251/4	251/0
May	256/0	257/0	256/0	255/6
Dec	250/0	250/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	383/4	387/4	387/0	381/4
May	355/4	359/2	358/4	353/4
Jul	331/6	332/6	332/4	330/2
Sep	333/6	335/4	335/4	333/0
Dec	343/0	344/0	344/4	342/4
Mar	348/0	348/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	78.450	79.550	79.300	78.350
Apr	77.475	78.075	78.150	77.400
Jun	72.700	73.275	73.500	72.625
Aug	71.200	71.625	71.850	71.150
Oct	71.975	72.275	72.650	71.900
Dec	72.250	72.700	72.925	72.150
Feb	78.450	79.550	79.300	78.350

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Feb	44.250	43.850	44.300	43.800
Apr	43.650	43.500	43.825	43.325
Jun	48.225	47.950	48.375	47.925
Jul	47.750	47.575	47.875	47.550
Aug	45.875	45.650	45.950	45.600
Oct	41.750	41.575	41.850	41.500
Dec	42.850	42.500	42.850	42.600
Feb	42.950	42.825	42.950	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	38.350	38.400	38.850	38.250
Mar	36.600	36.800	37.125	36.450
May	37.400	37.950	38.000	37.400
Jul	37.750	38.275	38.350	37.750
Aug	36.700	37.125	37.025	36.500

Dollar stocks lead the market down

By Terry Byland, UK Stock Market Editor

WEAKNESS in the US currency depressed dollar earning stocks in London yesterday. adding to the pressures on the stock market from domestic factors. Uncertainty over prospects for domestic interest rates continued, fuelled by weaker December money supply and bank lending data than expected. Also fears of impending rights issues hovered over the investment scene.

The impact of a relatively optimistic report on business opinion in the UK from the Confederation of British Industry (CBI) had no lasting effect on the market yesterday. Although the CBI said that significantly more members had expressed economic optimism than in the previous survey. taken four months ago, share prices soon abandoned a brief foray into positive territory yesterday morning.

The FT-SE Index was 14 points down at the day's low but rallied when Wall Street, ignoring the dollar, opened the new trading session with a gain of 30 Dow points in London trading hours. The final reading showed the FT-SE Index at 2,771.9 for a net loss of 9.3.

Trading volume was modest, at least among the blue chip stocks. But second line issues attracted increased attention, with turnover in non FT-SE listed stocks providing around 65 per cent of total Seaq volume of 490.3m shares.

"Investors see no rush to get aboard the FT-SE listed stocks at present," *commented* Mr Michael Hicks, senior trader at Strauss Turnbull, the London securities arm of Societe Generale.

Adverse developments among the pharmaceuticals, added to dollar weakness, took a heavy toll of the blue chip sector, with Glaxo a notably dull feature in the wake of negative reviews in the UK press. Currency factors unsettled ICI, replacing an early gain with a small loss at the end of the day. The heavy end of the insurance sector lost ground.

Hopes of acquisition or similar corporate developments continued to rise, although there were no developments yesterday to justify speculation. Shares in Johnson Matthey, the metals refiner, traded quietly as the market pondered the disclosure that Johannesburg Consolidated may bid for part of the Matthey stake on offer from Charter Consolidated, although it is not interested in making a full bid.

Both the UK government bond and equity markets were inclined towards caution ahead of tomorrow's auction of £2.5bn of 8.5 per cent bonds. The auction is expected to proceed smoothly but is likely to turn attention back to the prospects for this year's heavy government funding programme.

At Nikko, Mr Peter Thirne comments that while he remains convinced that the UK and US economies are recovering the FT-SE may continue to *"languish around 2,800"* until there is clearer evidence of such recovery trends. For the end of March, however, Nikko sets a FT-SE target of 2,900.

The market's impression that the next base rate cut will be held back until the March budget were expressed by Mr Peter Spencer at Kleinwort Benson Securities, who commented that the "political fallout" from last week's depressing statistics on UK unemployment had been less than might have been expected. "We could be in the doldrums for another couple of months," suggested the Kleinwort report.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	0	475	-8
ASDA Group	17,000	65½	-1
Abbey National	2,700	357½	-5
Albert Fisher	2,100	71	-3
Allied-Lyons	2,100	597	+6
Amstrad	752	25	
Anglian Water	473	470	-1
Argos	85	385	
Argyll Group	1,300	383½	-3½
Arjo Wiggins	1,700	153	-3
Ass. Brit. Foods	240	485	-2
Ass. Brit. Ports	61	384	+3
BAA	1,400	781	-8
BAT Inds	831	966	-7
BET	1,200	97	-1
BICC	1,000	340	+2
BOC	862	740	-8
BP	12,000	231½	+½
BPB Inds.	1,500	190	+1
BT	3,200	387½	+5½
BT New	2,700	282½	+4
BTR	1,200	549	
Bank of Scotland	1,000	128½	-1
Barclays	3,400	415	+2
Bass	1,000	594	+3
Berisford Intl.	215	127	-3
Blue Circle	3,300	210	+½
Booker	141	415	-6
Boots	1,100	518	
Bowater	829	485	-1
Brit. Aerospace	4,200	227	+12
British Airways	5,300	271	-4
British Gas	3,600	284	-1
British Land	144	179	-1
British Steel	5,500	65½	+1
Bunzl	100	124	
Burmah Castrol	444	680	+2
Burton	3,100	75	
Cable & Wire.	1,300	711	+8
Cadbury Schweppes	2,600	477	-5
Calor Group	10	230	+1
Carlton Comms.	153	791	-7
Coats Viyella	706	212	-2
Comm. Union	280	619	-5
Cookson	2,400	200	+1
Courtaulds	1,000	544	-4
Dalgety	515	484	
De La Rue	324	869	-4
Dixons	1,100	238	-1
Eastern Elect.	1,200	416	-3
East Midland Elect.	386	415	-4
Eng China Clays	589	453	-4
Enterprise Oil	1,700	421	+2
Eurotunnel Units	299	400	
FKI	187	112	
Fisons	2,000	223	-4
Hanson Warrants	1,100	24¾	-½
Harrisons Crosfield	206	159	
Hillsdown	4,500	149	
IMI	300	280	-1
ICI	1,700	1107	-4
Inchcape	673	543	+1
Kingfisher	753	590	
Kwik Save	271	807	-1
Ladbroke	1,500	192	-1
Land Securities	812	447	-3
Laporte	422	629	-1
Legal & General	379	429	-5
Lloyds Abbey	165	434	-3
Lloyds Bank	2,100	512	+13
LASMO	803	154	+3
London Elect.	91	441	-1
Lonrho	679	73½	
Lucas	1,800	137	
MB Caradon	485	298	
MEPC	476	327	-3
Manweb	26	486	-2
Marks & Spencer	2,600	319	-2
Midlands Elect.	121	457	-4
Morrison (Wm.)	345	163	-2
NFC	4,500	271	+10
NatWest Bank	3,000	443	+8
National Power	3,400	301½	+5
Next	486	149	-2
North West Water	790	457	-5
Reed Intl.	650	641	+3
Rentokil	2,000	213	-5
Reuters	983	1313	+3
Rolls Royce	7,200	113	-3
Rothmans	274	609	-2
Ryl Bk Scotland	2,200	225	+4
Royal Insurance	2,400	288	-1
Saatchi	285	158	-3
Sainsbury	1,400	555	-4
Scottish & New.	589	445	+4
Scot. Hydro-Elect.	593	245	+2
Scottish Power	3,000	224	
Sears	1,100	100	-1
Sedgwick	938	168	+2
Seeboard	183	455	-1
Severn Trent Water	948	448	-1
Shell Transport	2,100	530	+4
Siebe	424	437	-2
Slough Ests	86	155	+1
Smith (W.H.) A	290	450	-3
Smith & Nephew	1,400	156	
SmKl Beecham	3,600	494	-10
SmKl Beecham Uts	1,800	430	-10
Smiths Inds.	827	369	+2
Southern Elect.	47	434	-3
South Wales Elect.	38	498	-3
South West Water	860	472	-7
South West. Elect.	10	448	+1
Southern Water	220	481	-8
Unigate	275	322	-5
Unilever	546	1109	
United Biscuits	1,200	356	-3
Utd. Newspapers	824	504	
Vodafone	848	386	-5
Warburg (SG)	274	558	-1
Wellcome	1,000	915	-14
Welsh Water	302	615	-8
Wessex Water	175	577	-3
Whitbread 'A'	672	438	-2
Williams Hldgs	519	334	-8
Willis Corroon	1,300	191	-2
Wimpey	47	115	-1
Wolseley	56	541	
Yorkshire Elect.	39	482	-2
Yorkshire Water	91	514	-2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Jan 18	Feb 1	Feb 15
Option Declarations:		
Jan 28	Feb 11	Feb 25
Last Dealings:		
Jan 29	Feb 12	Feb 26
Account Day:		
Feb 8	Feb 22	Mar 8

*New time dealings may take place from 8.30am two business days earlier.

Setback for drug stocks

KEY pharmaceutical stocks fell sharply as a result of bearish sentiment, somewhat jaded stories, currency shifts and a very cool attitude from US investors. The slide in Glaxo and Wellcome, although checked by the close of trading, accounted for almost half the overall loss in the FT-SE 100 index yesterday.

Glaxo, whose price moves have the greater impact in the Footsie, was also the hardest hit. Sentiment was against it from the start of trading as dealers took note of a Sunday newspaper article which focused on the lack of new products and worries over the patent on Zantac, its highest earning drug product.

Wellcome suffered from the backwash of two stories in the US press, concerning Retrovir, its widely-used Aids treatment. Neither story was particularly new but they provided a focal point on a day when sterling made gains of nearly four cents against the dollar.

The currency shift left UK shares overpriced compared with their New York equivalent and forced marketmakers to cut prices. Also, analysts from Goldman Sachs, the New York investment bank, returned yesterday from a ten-day roadshow in the US, to disclose that very few clients showed interest in UK drug stocks. Glaxo, down 24 at one stage recovered to close 17 lower at 695p on turnover of 5m shares. Wellcome fell a net 14 to 915p.

Lloyds wanted

The absence of any predatory move from **Lloyds Bank** was the signal for a strong recovery in its shares yesterday. Suggestions that it was about to launch a bid for another bank were rife in the market last week and appear to have been responsible for marked weakness in Lloyds shares against an outperforming banks sector.

During the five-day period Lloyds shares fell 2 per cent while **Barclays** rose over 10 per cent and **NatWest** almost 5 per cent. Favourites to attract a bid from Lloyds were **Royal Bank of Scotland,Standard Chartered** and **TSB.**

Although not dismissing the possibility of a Lloyds bid for Royal Bank or Standard, specialists said a move to acquire the minority holding in Lloyds Abbey Life, the life assurance business in which it has a controlling 60 per cent stake, might be a more likely move. Lloyds Bank jumped 12 to 511p, on 1.8m traded, while Royal Bank of Scotland edged up 4 to 225p. Lloyds Abbey Life eased 3 to 434p.

Guinness drifts

Hints from some corners of the market that French luxury goods group LVMH may be looking to restructure its 24 per cent shareholding agreement with **Guinness** upset the shares, which retreated 2¼ to 466p. Most of the speculation emanated from French sources, but yesterday's story – reported in the Paris press and based on a broker's note – caused little excitement in London.

Most UK based analysts were dismissive of the notion, which is said to have surfaced during speculation that LVMH needed to raise cash to make a big acquisition. They argued that if both groups were to reduce their holdings it would not only depress their shares but also disproportionately hit LVMH's profits, nearly one third of which come from Guinness.

Stylo active

Following last week's sale of a 26 per cent stake in Stylo, the footwear group, institutional demand and speculative interest combined to send the shares surging forward. The stake, which had belonged to Control Securities, was placed on Thursday with institutions at 90p, a generous discount to the then market price of 110p.

Brisk demand by institutions continued yesterday, with the shares jumping 17 to 125p. There was unconfirmed speculation of stake building by one anonymous buyer. After the market closed it was announced that a member of the Ziff family, which holds around 20 per cent of the equity and management control, bought 30,000 shares at 90p on Thursday.

In the transport sector, the spotlight fell on **NFC** as some market players belatedly caught up with last week's reports that the company would soon announce the sale of its Waste Management subsidiary for around £100m to a US buyer.

The company remained coy, but the shares jumped 10 to 271p, to make them one of the best performers of the day in percentage terms, as turnover rose to 4.5m.

Internationally traded stocks suffered from the effect of a weaker dollar against the pound. ICI shares, up in early trading on the belief that selling from Goldman Sachs had dried up, slipped after the US market opened and closed 4 off at 1107p. **RTZ** fell 9 to 656p and **BAT Industries** shed 7 at 966p. However, **Reuters Holdings** appeared to have hit a floor following heavy selling last week and rose 3 to 1313p.

Recent buy recommendations from Smith New Court continued to drive **Refuge Assurance**, 15 up at 850p, and *Britannic Assurance*, 20 firmer at 1118p.

The bad weather sweeping the UK over the weekend and in the recent past prompted a general markdown of the composite insurers along with Prudential and Legal & General. But specialists said there was no real downside pressure on the individual stocks. **General Accident** eased 12 to 569p and **Commercial Union** 5 to 619p.

BT were well supported, moving up 5¼ to 387½p after US newspaper reports that the company may be interested in buying a substantial stake in Electronic Data Systems, the General Motors subsidiary. **Vodafone**, on the other hand, suffered from US reports linking cellular phones with medical problems. the shares slipping 7¼ to 383½p.

Reports that Opec is on the way to agreeing a reduction in output ahead of the February 13 meeting of Opec members, helped sustain an oil sector featured by strong late US buying of BP. Optimism that a reduction of around 1m barrels day in Opec's output could be implemented saw crude oil prices rise some 60 cents a barrel.

BP were under light pressure during early trading but attracted keen overseas demand towards the close as US investors chased the stock higher in New York. In London the stock settled marginally higher at 231½p on heavy turnover of 12m shares, with specialists saying that BP will outperform Shell if crude oil prices improve in the wake of Opec output cuts. Shell edged up 4 to 530p on much thinner trade of 2.2m shares. Lasmo added 3 more to 154p, still boosted by recent broker buy notes.

Rights issue talk faded away from **Allied Lyons** and the shares moved forward 6 to 597p, also helped by buying from Kleinwort Benson.

Midlands Radio returned to the market with a sharp rise of 16 to 128p following its suspension on Friday. The suspension surrounded the announcement of a 130p a share bid from Capital Radio worth £17.7m. Capital gained a penny to 179p with one analyst commenting that the market liked the synergy of the deal and the fact that Capital was dipping into its own cash rather than calling on shareholders for extra funds.

Haynes Publishing jumped 29 to 263p following comment in one Sunday newspaper and ahead of interim results on February 1 for which broker Beeson Gregory forecasts profits of £3m.

Shares in British Aerospace bucked the market trend and jumped 12 to 227p, on speculation that the Al-Yamamah 2 defence contract with Saudi Arabia would soon be signed and talk of further hawk orders from Indonesia and possibly India.

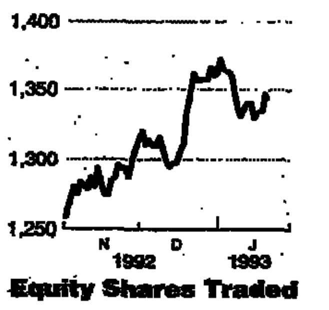
The shares have out-performed the market by 50 per cent over the last 3 months.

Rolls-Royce eased 3 to 113p, on reports that Trans World Airlines may cancel plans to buy up to A 330 aircraft from Airbus Industrie that are to be powered by Rolls supplied engines.

MARKET REPORTERS:
Christopher Price, Joel Kibazo, Peter John, Steve Thompson.

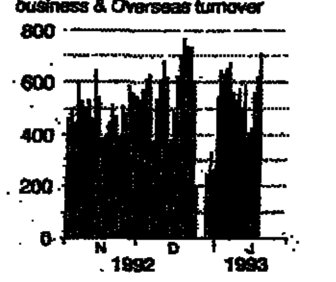
■ Other market statistics, Page 21.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (120).
AMERICANS (7) Amer. Express, Bethlehem Steel, Chrysler, Cont'l Bank, Ford Motor, Merrill Lynch, Sears Roebuck, BANKS (2) NatWest, Ryl Bk. Scot., BREWERS (1) Burtonwood, BLDG MATLS (1) Grafton, ... PAPER & PRNTG (1) Hunters Armley, PROP (1) Lon. Merchant Secs. 7¼pc Cv. '00-05, STORES (3) Asprey, Betterware, Tie Rack, TELE NETWORKS (1) Telefonica, TEXTS (3) Courtaulds, Leeds, Yorklyde, PLANTATIONS (1) Rowe Evans, MINES (1) Navan Res 5pc Cv.
NEW LOWS (11).
CANADIANS (1) Brascan, CONTG & CONSTRCN (1) Belt Bros, ELECTRONICS (1) EIT, Prestwick, ENG GEN (1) Platon Intl., MEDIA (1) Yorks Tyne-Tees TV, PROP (4) Herring Baker Harris, Olives, Power Corp., Warnford, MINES (2) East Daggs, Kalis Minerals.

FINANCIAL TIMES EQUITY INDICES

	Jan 25	Jan 22	Jan 21	Jan 20	Jan 19	Year ago	High	Low
Ordinary share	2145.0	2152.2	2143.7	2133.9	2124.7	1966.4	2209.9	1670.0
Ord. div. yield	4.39	4.39	4.39	4.41	4.42	4.65	5.34	4.23
Earning yld % full	6.05	6.03	6.03	6.06	6.07	6.97	-	-
P/E ratio net	21.10	21.15	21.14	21.04	21.00	18.03	21.93	15.79
P/E ratio nil	19.49	19.54	19.53	19.43	19.40	17.01	-	-
Gold Mines	63.2	63.6	61.8	60.0	60.2	152.6	160.6	60.0

*for 1992/93. Ordinary share index since compilation: high 2209.9 4/1/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2152.2	2145.7	2153.3	2152.3	2155.0	2152.7	2147.6	2142.4	2142.1	2155.0	2139.4

Volume	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Year ago
SEAQ Bargains	31,171	31,229	30,488	27,269	26,834	26,965
Equity Turnover(£m)†	-	1492.1	1487.0	1328.6	1113.4	821.4
Equity Bargains†	-	36,368	43,558	38,427	29,951	27,352
Shares traded (mil)†	-	709.6	616.5	586.3	434.6	376.6

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
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EQUITY FUTURES AND OPTIONS TRADING

PROFIT-TAKING, as hopes of a cut in interest rates in the short term faded, led to a poor day in the derivatives, writes Joel Kibazo.

In stock index futures, trading in the March contract on the FT-SE 100 contract began at 2,795. Dwindling hopes of an interest rate cut led to an early sell-off which saw the contract dip to 2,786 by mid morning. It recovered later and was trading around 2,801 by lunchtime.

However, with other European markets having a weak day, and alongside a dull performance in the fixed interest markets, there was little in the way of real enthusiasm for March. In the afternoon, sellers of the contract ahead of Wednesday's treasury gilts auction returned to the fore.

At the day's low, reached around 3pm, March was trading at 2,772. The firmness on Wall Street helped it regain some momentum and it closed at 2,780, down 23 on the previous session and around 2 points above its estimated fair value premium of about 9. Turnover at 6,246 was poor.

Traded options business was dull with volume reaching only 21,384 lots, down from 37,990 on Friday. The FT-SE 100 option saw 6,406 lots traded and the Euro-FTSE 100 index 614 lots.

Among stock options, British Steel was the most active with a total of 2,474 lots and was followed by Asda at 1,834 and Sainsbury at 1,202 contracts.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2771.9 -9.3	2904.2 -4.8	1344.87 -3.68

Hourly movements

FT-SE Actuaries 350 Industry Baskets

LONDON SHARE SERVICE

BRITISH FUNDS

OTHER FIXED INTEREST

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to January 1987. Conversion factor 3.945. RPI for May 1992: 139.3 and for December 1992: 139.2.

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	18⅜xd	-⅜	21¼	14⅞	15,169	2.1
Allegheny & W	♥	433p	-5	457p	220p	220.8	4.4
Amdahl		497p	-37	1159p	439p	558.1	1.3
Amer Cyanamid		34½	-1⅛	38⅝	28⅝	3,119	3.0
Amer Express		16⅝xd	+⅛	16⅝	10⅞	7,947	3.8
Amer T & T		35¼xd	-1⅞	38⅞	20⅛	46,712	2.4
Ameritech		47⅞	-1⅛	49	32½	20,981	4.8
BankAmerica		34¼xd	-⅞	34½	19⅞	11,801	2.4
Bankers NY		44¼xd	-⅝	46⅛	28⅞	3,541	4.6
Bell Atlantic		34⅞	+⅛	34⅝	23⅛	14,881	4.8
BellSouth		35	-½	35½	35	17,279	5.0
Bethlehem Steel	♥	12½xd	+⅜	12½	5¼	1,131	-
Bowater		1372pxd	-147	1637p	905p	497.2	5.5
CPC	b	30½xd	-⅜	36	22⅞	4,619	2.5
Cadiz Land Inc	♥	115p	—	342p	108p	-	-
California Engy		1358p	—	1358p	581p	248.8	-
Chase Manhattan		19½xd	-⅛	19⅝	9⅛	2,898	3.9
Chrysler		25⅜xd	+⅝	25⅞	8¼	7,568	1.5
Citicorp		16⅝xd	-⅛	17	5⅞	6,191	-
Colgate-Palm		38⅞xd	-⅞	43¼	25¼	5,768	2.2
Cont'l Bank		1452p	+15	1452p	499p	1,467	2.8
Dana		31¼xd	-⅞	32⅞	14⅞	1,459	3.2
Data General		754p	-1	1084p	384p	288.1	-
Decora Inds	♥	146p	—	146p	66p	-	-
Dun & Brad		38¾	-½	39⅝	27⅝	6,884	3.7
Eaton		50⅝	-⅞	54½	32½	1,750	2.7
Echlin		16¼xd	-⅛	16¼	7⅞	924.2	2.7

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

TELEPHONE NETWORKS

MINES - Cont.

METALS & METAL FORMING

TEXTILES

PROPERTY

MISCELLANEOUS

OTHER FINANCIAL

TRANSPORT

INVESTMENT COMPANIES

WATER

MEDIA

OTHER INDUSTRIALS

SOUTH AFRICANS

STORES

PLANTATIONS

MOTORS

MINES

PACKAGING, PAPER & PRINTING

OIL & GAS

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the *Stock Exchange Automated Quotation system (SEAQ).*
- ● "Top Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ *Merger bid or reorganisation in progress*
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
r Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, *p/e ratio based on* latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

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AIB Unit Trust Managers Limited (1000)F

51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	152.9	154.5	162.6	-1.10	0.00
AIB Grofund Equity	5	200.9	203.0	215.9	+0.60	3.24
AIB Grofund Euro	5	148.3	150.7	158.6	-1.10	0.38
AIB Grofund Ext Balanced	3	98.92	100.7	103.9	...	2.53
AIB Grofund Gilt	3	75.56	75.58	77.92	-0.14	5.09
AIB Grofund Japan	5	116.7	118.0	124.2	-2.20	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H

Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	399.2	401.2	426.9	-1.8	2.76
General Acc	5	434.7	436.9	464.8	-2.0	2.76
UK Growth Acc	6	294.3	298.7	317.8	-0.9	3.11
UK Growth Inc	6	211.0	214.0	227.7	-0.7	3.11
Higher Inc Acc	6	516.9	525.2	558.8	-0.3	4.40
Higher Inc Inc	6	318.9	324.0	344.7	-0.2	4.40
Gilts/Fxd Int Acc	5½	168.9	168.9	178.4	-0.4	7.16
Gilts/Fxd Int Inc	5½	91.01	91.01	96.12	-0.23	7.16
Nth America	6	253.9	259.4	276.0	-3.3	0.00
Far East	6	229.8	229.8	244.5	-3.7	0.36
Europe	6	199.2	199.2	212.0	-1.9	1.17
Brit Excell	6	61.15	61.15	65.06	-0.23	3.18
Brit Fndmtls Acc	6	78.86	78.86	83.90	-0.24	5.39
Brit Fndmtls Inc	6	61.90	61.90	65.86	-0.19	5.39
Global Opps	6	63.55	63.55	67.61	-0.51	0.00

Abbey Unit Tst Mngrs (1000)H

80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilts & Fixed Int	6	127.3	127.3xd	135.0	-0.3	7.04
High Inc Equity	6	138.2	141.0xd	150.0	+0.3	5.67
Worldwide Bond	6	252.5	252.5	267.6	-2.0	4.67
American Growth	6	280.1	280.1xd	299.5	-2.8	.48
Asian Pacific	6	189.5	193.5	205.8	-1.3	.93
Assets & Earnings	6	213.2	217.6	231.4	+0.5	2.71
Capital Reserve Acc	0	124.4	124.4	124.7	...	5.96
Comdty & Energy	6	62.43	62.43	66.77	-0.63	1.32
1992 Enterprise	6	75.31	75.31	80.54	+0.20	2.57
Euro Capital Acc	6	100.9	100.9	107.9	-0.7	.97
Euro Capital Inc	6	95.56	95.56	102.2	-0.7	.98

Britannia Life Unit Managers Ltd (1200)F

50 Bothwell Street, Glasgow G2 6HR 041-223 6020

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	88.92	89.93	96.18	-0.14	2.39
Do (Accum)	6	97.08	98.18	105.01	-0.16	2.39
Smaller Cos	6	71.31	71.31	76.28	+0.09	1.81
Do (Accum)	6	77.10	77.10	82.46	+0.10	1.81
Higher Yield	6	35.44	35.80xd	38.29	-0.01	4.52
Do (Accum)	6	48.35	48.84	52.24	-0.01	4.52
American Gth Inc	6	52.70	52.88	56.56	-0.76	0.29
Do (Accum)	6	53.70	53.89	57.63	-0.77	0.29
European Growth	6	88.88	89.24	95.45	-0.68	1.78
Do (Accum)	6	89.71	90.07	96.33	-0.69	1.78
Global Bond Inc	6	27.69	27.70xd	29.88	-0.31	5.78
Do (Accum)	6	34.03	34.03	36.11	-0.38	5.78
Managed P'folio Inc	6	31.83	31.92	34.14	-0.16	1.54
(Do Accum)	6	31.92	32.01	34.24	-0.16	1.54
Pacific Growth Accum	6	78.97	79.83	85.38	-1.51	1.17
Intl Spec Opps Accum	6	78.16	79.11	84.61	+0.20	1.09

Brown Shipley & Co Ltd (1000)F

9-17 Perrymount Rd Haywards Hth 0444 412262

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	86.13	86.13	91.72	-0.02	2.27
Mngd P'folio Acc	6	161.2	161.2	171.7	-0.10	-
UK General	6	139.2	139.2	148.3	-0.10	3.42
Com & General	6	18.29	18.29xd	19.57	-0.01	7.88
European Inc	6	21.51	21.51	23.16	+0.07	0.49
European Acc	6	22.22	22.22	23.92	+0.08	-
Financial	6	103.4	103.4	110.7	+0.10	4.01
Foundation	6	68.65	70.42	74.99	+0.18	3.74
German	6	38.84	38.84	41.65	+0.63	0.10
Growth Inc (5-1)	5	26.98	26.98	28.78	-0.01	3.22
Growth Acc (5-1)	5	31.41	31.41	33.52	.....	-
High Income	6	67.86	68.62	73.41	+0.01	6.40
Income	6	114.7	117.1	125.2	+0.70	4.63
Intl Income	6	83.61	83.61xd	89.04	+0.20	5.41
Intl Growth ♦	6	31.36	31.36	33.40	-0.33	0.23
Monthly Income	6	64.65	66.74	71.08	+0.38	4.74
North American	6	103.4	104.5xd	111.3	-1.10	0.20
Orient ♦	6	90.60	90.60	97.49	-1.97	-
Recovery	6	32.23	33.68	36.21	+0.01	3.26
Smaller Cos Acc	6	230.6	245.9	261.9	+0.40	-
Smaller Cos Inc	6	135.0	144.0	153.3	+0.10	1.50

Brycourt Unit Tst Mgmt Ltd (1400)F

Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	184.1	184.1	189.2	....	6.6

Buckmaster Mangmt Co Ltd (0930)H

15 St Botolph Street, London EC3A 7JJ 071-247 4542

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Fellowship Tst	5¼	59.29	59.97	63.80	-0.14	1.50
(Accum Units)	5¼	66.11	66.86	71.13	-0.16	1.50
Income	5¼	198.5	200.6	213.5	-0.1	4.26
(Accum Units)	5¼	451.2	456.3	485.5	...	4.24

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

OTHER UK UNIT TRUSTS

INSURANCES

Cannon Assurance Ltd—Contd.

Crown Financial Management Ltd-Contd.

Guardian Royal Exchange—Contd.

Legal & General—Contd.

NM Life Assurance Ltd

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

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IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

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MANAGEMENT SERVICES

[illegible]

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or -	Yield Gross
John Govett Management (IoM) Ltd				
Mgd Curr Lux NAV Jan 22	$16.19			-
Paragon Plus Red Jan 4	£9.99			-
Paragon Stlg Red Jan 4	£11.32			-
SE Asian Wts NAV Jan 21	$9.81			-
Govett Mgd Fut Jan 22	£13.94	15.25		-
Govett Mngd Futs Jan 22	$9.85	10.77		-
Nw Horizons Inc Jan 21	$15.96			-
Nw Horizons Inc Wts Jan 21	$8.06			-
Dllr Geared Bd Jan 22	$7.29			-
IBI Global Funds Limited				
Intl Stlg Grwth	£20.76	21.86		-
Intl SUS Grwth	$18.01	18.97		-
High Income Gilt	£25.98	26.93		-
International Equity	£21.02	22.14		-
International Bond	£22.99	23.84		-
Managed Currency	£27.70	27.99		-
Sterling Currency	£26.68	26.96		-
US$ Currency	$37.86	38.26		-
Irish £ Currency	I£15.53	15.70		-
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.08	11.55		-
B F Offshore Inc Fd Ltd	£11.59	12.08		-
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£9.54	10.33		-
Nelson Hilliers W/W S/S	£10.67	10.92		-

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5		IE-21.1506	21.1990		-
Managed Capital Bd	5		IE-21.5283	21.5971		-
AIB Grofund Currency Fund Limited						
Stlg Mngd Currency	5		£-	11.0144		-
Sterling Currency Fd	5		£-	10.6230		-
Ecu Currency	5		Ecu-	11.0176		-
US Dollar Mngd Curr	5		$-	21.7226		-
Barclays International Funds						

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydsinvest World Inv Port.	£2.451	2.574		1.18
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.81	9.86	-0.01	9.54
Minerals, Oils Res. Shrs. Fd. Inc.				
Minrs Jan 21	$13.28	13.56		2.95
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	53.7	56.0		7.77
UK Equity Fd (z)	222.7	237.0	+0.01	2.70
*Intl Bond Fd	97.0	100.0		6.87
*Sterling Mngd Asset Fd	538.5	568.0		5.00
*Sub. day every Thurs				
NatWest TrustCo Currency Fund (z)				
Dollar Class		$38.2823	+0.0042	-
Sterling Class		£27.1214	+0.0049	-
D-Mark Class		DM84.3939	+0.0090	-
Japanese Yen Class		Y7987.0597	+0.6008	-
Ashburton Realica Portfolio Ltd				
Ashburton Realica P'folio Ltd £	11.31	11.76		-
Ashburton Realica P'folio Ltd US	$10.49	10.90		-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Jan 14	$34.73	36.93		-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Grwth Fd	$3.8222	4.0619		-
Offshore Japanese Grwth Fd	$0.8962	0.9524		-
Offshore Am Grwth Fd	$6.7625	7.1866		-
Offshore Emerging Cos	$4.1115	4.3693		-
Offshore European Fd	$1.5184	1.6137		-
Offshore Global Bond	$0.9738	1.0144		-
Offshore Global Bond Acc	$0.9738	1.0144		-
Offshore Far Estrn Fd	$2.2838	2.4270		-
Offshore UK Growth Fd	$2.0474	2.1758		-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Jan 15		$4.12		-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£15.35	15.58		1.43
LFM Defensive Strgy	£11.25	11.83		-
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int (a)r	101.00	101.60	+0.50	7.58
International Bond (a)r	$1.141	1.153	-0.004	4.94
(Prices on Jan 20 Next dealing Jan 27				

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Austro-Hungary Fund Ltd				
Lloyds Bank Fund Managers (Guernsey) Ltd				
NAV Jan 21		55.50		-
BEA Associates				
Sth America NAV Jan 21		$2.35		-
Mexico Lsg Asset Jan 19		$12.2979		-
Argentina Bear Fc Jan 12		$12.39		-
BEA/Wdrsp Latin Am Cas		$11.79		-
Brazilian Eq Inv (Lux) Dec 31		$87.90		-
Julius Baer Bank & Trust Co Ltd				
Liquibaer	$2184.00	2185.00		-
Bque Fr Serv & Cr/Europ Inv Mgt Ltd				
Partner Emerging Markets Umbrella Fund				
Latin Am Class A Dec 31		$9.27	+0.61	-

	Bid Price	Offer Price	+ or -	Yield Gross
Global Asset Management – Contd.				
GAM U S		$217.53		-
GAM Intl Investments		$641.98		-
GAM Value		$112.59		-
GAM Whitethorn		$184.51		-
GAM Worldwide		$371.35	+8.44	-
GSAM Composite		$277.09	+1.34	-
GAM Bond $ Ord		$137.57		-
GAM Bond $ Special		$162.94		-
GAM Bond SwFr		SFr94.16		-
GAM Bond Yen		Y13651		-
GAM Bond DM		DM109.39		-
GAM Bond £		£141.50		-
GAM Stlg Special Bond		£118.00		-
Swiss Registered Funds				
GAM (CH) Mondial		SFr1338.66		-

	Bid Price	Offer Price	+ or -	Yield Gross
Orbitex Bahamas Ltd				
Orbitex Nat Res Fd	$10.6004	11.0004		-
Orbitex Growth Fund	$7.6199	8.3819		-
Orbitex Europe & Emerging	$5.8361	6.4087		-
ORIENT Growth Fd				
NAV		$9.48		-
PFC Internatl Portfolio Fd Mngt Ltd				
Specialist Growth Fd		$2.64		-
Balanced Growth Fd		$2.33		-
Sterling Income Fd		£1.54		-
PFC-LCC & B		$12.08		-
PFC LCC & B Stlg Class		£10.16		-
PFC Cap Global P'folio		$12.43		-
PFC Dynamic Class P'folio		$10.15		-

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar remains under pressure

THE DOLLAR fell nearly two pfennigs against the D-Mark in European trading yesterday as dealers continued to revise forecasts for likely changes in short-term German and US interest rates this year, *writes James Blitz.*

After closing in London at DM1.5900 on Friday night, the US currency tumbled to a low of DM1.5690, before closing at DM1.5725, some 1.75 pfennigs down on the day. That close put it more than 7 pfennigs lower than its levels in the first week of this year.

Recently, the market has become more pessimistic about how quickly US and German rates will converge, a factor which continues to underpin the D-Mark.

At the start of the year, interest rate futures markets appeared to think that the gap between German and US rates would come down by 350 basis points by the end of the year. Last night they were discounting a narrowing of the order of 280 basis points.

The last two days, in particular, have brought several indications that US interest rates will remain low and German rates high.

Dealers voiced concern yesterday that weekend talks between German trade unions and the Bonn government had broken down, fuelling fears that German wage inflation would continue to climb.

Yesterday's 1.0 percentage point monthly rise in December's rate of inflation in North-Rhine Westphalia also appears to have depressed some investors, raising fears that the Bundesbank will find it difficult to ease policy as quickly as expected. Mr Avinash Persaud, currency economist at UBS Phillips and Drew in London, believes that the upshot of the breakdown in wage talks is that the Bundesbank will not ease policy at its next meeting on February 4, as some have suggested.

There are also growing indications that the Federal Reserve will not raise short-term interest rates as quickly as expected, either.

At the weekend, Mr Lloyd Bentsen, the new US Treasury secretary, said that Mr Bill Clinton's administration was likely to propose increased taxes on consumption. This quashed expectations that the administration is determined to introduce a fiscal stimulus which would have to be accompanied by higher US interest rates.

One sign of the new strength of the exchange rate mechanism was the absence of pressures in Europe despite the D-Mark's strength against the US currency.

The French franc lost a little ground against the D-Mark, closing at FFr3.385 to the D-Mark from a previous close of FFr3.386. The Irish authorities were also able to cut their secured advances rate from 15 per cent to 14 per cent.

Sterling consolidated against the D-Mark following last week's sharp fall. It closed at DM2.4525 up 1¼ pfennigs in the day, helped by a report from the CBI on business confidence.

£ IN NEW YORK

Jan.25	Latest	Previous Close
£ Spot	1.5560-1.5570	1.5305 1.5315
1 month	0.56-0.55pm	0.54 0.52pm
3 months	1.48-1.45pm	1.33 1.30pm
12 months	4.07-3.97pm	3.75 3.65pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.25	Previous
8.30 am	79.8	79.8
9.00 am	80.0	79.6
10.00 am	79.9	79.7
11.00 am	80.1	79.5
Noon	80.1	79.6
1.00 pm	80.2	79.8
2.00 pm	80.2	79.5
3.00 pm	80.4	79.5
4.00 pm	80.4	79.7

CURRENCY RATES

Jan 25	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.908687	0.798899
U.S Dollar	3.00	1.37757	1.23606
Canadian $	7.27	N/A	1.57906
Austrian Sch	8.25	15.6120	13.7684
Belgian Franc	7.75	45.6837	40.2985
Danish Krone	9.50	8.52371	7.52388
D-Mark	8.25	2.21899	1.95705
Dutch Guilder	7.75	2.49395	2.20129
French Franc	10	7.49605	6.62341
Italian Lira	12.00	2040.50	1805.80
Japanese Yen	3.25	172.403	154.161
Norway Krone	-	9.42465	8.30754
Spanish Peseta	-	156.942	138.630
Swedish Krona	11.50	9.95157	8.79454
Swiss Franc	5.50	2.03536	1.79562
Greek Drach	19	N/A	261.661
Irish Punt	-	N/A	0.736493

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jan.22

CURRENCY MOVEMENTS

OTHER CURRENCIES

Jan 25	£	$
Kuwait	0.47300 - 0.47400	0.30380 - 0.30430
Luxembourg	50.45 - 50.55	32.35 - 32.45
Malaysia	4.0250 - 4.0350	2.5860 - 2.5900
Mexico	4.8315 - 4.8345	3.1020 - 3.1040
N.Zealand	3.0070 - 3.0110	1.9305 - 1.9335
Saudi Ar	5.8340 - 5.8450	3.7495 - 3.7505
Singapore	2.5535 - 2.5635	1.6410 - 1.6440
S.Af (Cm)	4.7565 - 4.7675	3.0630 - 3.0650
S.Af (Fn)	7.4270 - 7.4820	4.7685 - 4.8035
Taiwan	39.50 - 39.60	25.35 - 25.45
U.A.E.	5.7125 - 5.7255	3.6715 - 3.6735

*Floating rate. Iran Official rate £99.95 $66.80

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 25	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	143.386	138.630	-3.32	3.69	53
Portuguese Escudo	182.194	176.348	-3.21	3.57	49
Belgian Franc	40.6304	40.2985	-0.82	1.08	22
Dutch Guilder	2.21958	2.20129	-0.82	1.08	22
D-Mark	1.96992	1.95705	-0.65	0.91	18
Danish Krone	7.51410	7.52388	0.13	0.12	-23
Irish Punt	0.735334	0.736493	0.16	0.09	-24
French Franc	6.60683	6.62341	0.25	0.00	-34

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jan 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5325 - 1.5610	1.5590 - 1.5600	0.56-0.54cpm	4.23	1.46-1.43pm	3.71
Canada	1.9590 - 1.9925	1.9875 - 1.9885	0.13-0.04cpm	0.51	0.22-0.02pm	0.24
Netherlands	2.7400 - 2.7625	2.7525 - 2.7625	¼-¾cdis	-1.09	¾-1dis	-1.27
Belgium	50.15 - 50.60	50.45 - 50.55	4-8cdis	-1.43	15-21dis	-1.43
Denmark	9.3675 - 9.4375	9.4250 - 9.4350	3½-5¼oredis	-5.33	10¾-13¾dis	-5.20
Ireland	0.9175 - 0.9235	0.9190 - 0.9200	1.35-1.00cpm	15.33	3.12-2.40pm	12.01

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.50-2.45pm. 12 Month 4.03-3.93pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 4⅜-4½ per cent; three years 5¼-5⅜ per cent; four years 5⅞-5⅝ per cent; five years 6⅛-6 per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

$	0.641	1	1.573	123.3	5.324	1.443	1.768				
DM	0.408	0.636	1	78.38	3.385	0.918	1.124				
YEN	5.203	8.111	12.76	1000.	43.18	11.71	14.34				
F Fr.	1.205	1.878	2.954	231.6	10.	2.711	3.322	2725	2.395	60.84	208.8
S Fr.	0.444	0.693	1.090	85.42	3.689	1	1.225	1005	0.884	22.44	77.02
H Fl.	0.363	0.565	0.889	69.71	3.011	0.816	1	820.5	0.721	18.32	62.86
Lira	0.442	0.689	1.084	84.97	3.669	0.995	1.219	1000.	0.879	22.33	76.61
C $	0.503	0.784	1.233	96.68	4.175	1.132	1.387	1138	1	25.40	87.17
B Fr.	1.980	3.087	4.855	380.6	16.44	4.455	5.459	4479	3.937	100.	343.2
Pta	0.577	0.900	1.415	110.9	4.789	1.298	1.591	1305	1.147	29.14	100.
Ecu	0.799	1.246	1.960	153.6	6.635	1.799	2.204	1808	1.589	40.37	138.5

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

ECU BOND (MATIF): March 110.04 109.78 -0.44 110.04 109.70 8.43 11,433. Estimated volume 3,024 † Total Open Interest 11,433

Strike	Calls February	Calls March	Calls June	Puts February	Puts March	Puts June
112	-	1.16	-	0.03	0.31	0.54
113	0.13	0.52	1.85	0.25	0.62	0.81
114	0.02	0.15	-	-	1.25	1.19
115	-	0.04	0.80	-	-	-
116	-	0.02	0.40	-	-	-
Open Int	13,955	167,025	54,186	13,475	174,101	29,582

Estimated volume 31,173 † Total Open Interest 458,798
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5595	1.5540	1.5451	1.5348	1.5197

BASE LENDING RATES

	%		%		%
Adam & Company	7	Cyprus Popular Bank	7	NatWestminster	7
Allied Trust Bank	7	Duncan Lawrie	7	Northern Bank Ltd	7
AIB Bank	7	Equatorial Bank plc	7	Nykredit Mortgage Bnk	7.5
●Henry Ansbacher	7	Exeter Bank Limited	8	●Rea Brothers	7
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	9
Bank of Baroda	7	●Robert Fleming & Co	7	Royal Bk of Scotland	7
Banco Bilbao Vizcaya	7	Girobank	7	●Smith & Williamson Secs	7
Bank of Cyprus	7	●Guinness Mahon	7	Standard Chartered	7
Bank of Ireland	7	Habib Bank AG Zurich	7	TSB	7
Bank of India	7	●Hambros Bank	7	Unibank plc	7
Bank of Scotland	7	Hampshire Trust Plc	13.5	●United Bk of Kuwait	7
Barclays Bank	7	Heritable & Gen Inv Bk	7	Unity Trust Bank Plc	7
Brit Bk of Mid East	7	●Hill Samuel	7	Western Trust	7
●Brown Shipley	7	C. Hoare & Co	7	Whiteaway Laidlaw	7
CL Bank Nederland	7	Hongkong & Shanghai	7	Yorkshire Bank	7
Citibank NA	7	Julian Hodge Bank	7		
City Merchants Bank	7	●Leopold Joseph & Sons	7		
Clydesdale Bank	7	Lloyds Bank	7		
The Co-operative Bank	7	Meghraj Bank Ltd	7		
Coutts & Co	7	McDonnell Douglas Bk	7		
Credit Lyonnais	7	Midland Bank	7		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Franc futures tumble

FRENCH FRANC futures suffered a dramatic fall yesterday, as dealers started to believe that Germany and France would not ease policy as quickly as had been expected, *writes James Blitz.*

The prospects for an immediate and sharp easing in short-term German rates seemed a little more distant yesterday morning, after two weeks of optimism, and this was reflected in higher cash rates for French francs.

UK clearing bank base lending rate
7 per cent
from November 13, 1992

There were several reasons for bearishness in France. First, the Bank of France kept its officially posted short-term money rates unchanged at its weekly Monday intervention.

There had been strong speculation about an easing, now that the French franc is under less pressure in the European Monetary System.

Talks on public sector pay between the German government and the ÖTV trade union also broke down at the weekend – and this could make the Bundesbank more reluctant to cut short term rates.

The 1.0 percentage point monthly rise in December's rate of inflation in North-Rhine Westphalia, appears to have depressed some investors, as did the figure for M3 money supply in December, which was up 8.8 per cent on the year. However, some analysts described both figures as far better than the market could have hoped for.

All these factors combined to push the March French franc contract down a remarkable 53 basis points, to close at 89.75, as dealers wondered how quickly France will be able to cut rates. This closing level prices 3-month money in two months time at 10.25 per cent. Three month French francs also firmed sharply to 12¼ per cent from around 11¾ per cent last Friday.

One dealer said: "There must now be pressure on the Bank of France to pass the interest rate rises onto the commercial sector."

In the sterling market, a shortage of £2.3bn helped push short term money rates higher, in spite of a growing feeling that there will be an early cut in UK base rates. Three-month money closed ¼ per cent higher on the day at around 7⅛ per cent.

Several dealers said that they had been surprised that the weekend press had not issued strong calls for more cuts in interest rates. This dampened some of the bullishness that had been seen at the end of last week.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.25) 3 months US dollars		6 months US Dollars	
bid 3¼	offer 3⅜	bid 3¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.89	Three year	4.72
Broker loan rate	5	Two month	2.92	Five year	5.72
Fed.funds	3¼	Three month	3.01	Seven year	6.13
Fed.funds at intervention	-	Six month	3.14	10-year	6.51
		One year	3.38	30-year	7.27
		Two year	4.23		

Jan.25	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.55-8.65	8.55-8.65	8.45-8.60	8.40-8.55	7.95-8.10	9.50
Paris	12-12¼	12-12¼	-	11½-12	-	9.10
Zurich	5⅜-5⅝	5⅜-5½	-	5⅜-5⅝	-	-
Amsterdam	8.31-8.43	8.20-8.30	-	7.98-8.08	-	-
Tokyo	3⅜-3⅝	3⅜-3⅞	-	-	-	-
Milan	12¼-12½	12¼-12⁷⁄₁₆	-	12⅛-12⅜	-	-
Brussels	8½-8¾	8⅝-8½	-	8⅜-8⅞	-	-
Dublin	16-18	30-35	25-30	18-25	16-18	-

LONDON MONEY RATES

Jan 25	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9	7⅞	7⅜	7⅛	6¾	6⅝
Interbank Bid	7	7⅝	7⅛	6⅞	6½	6⅜
Sterling CDs	-	-	7⅛	7	6⅝	6½
Local Authority Deps.	7½	7½	7⅛	6⅞	6⅝	6½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	7⅝	7⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	7⅛	6¾	6½	6⅜
Treasury Bills (Buy)	-	-	6⅝	6⅝	6¼	-
Bank Bills (Buy)	-	-	6⅞	6⅝	6⅜	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.06	3.14	3.26	3.58
SDR Linked Dep. Offer	-	-	5½	5⅜	5¼	5⅛
SDR Linked Dep. Bid	-	-	5⅜	5⅜	5⅛	5

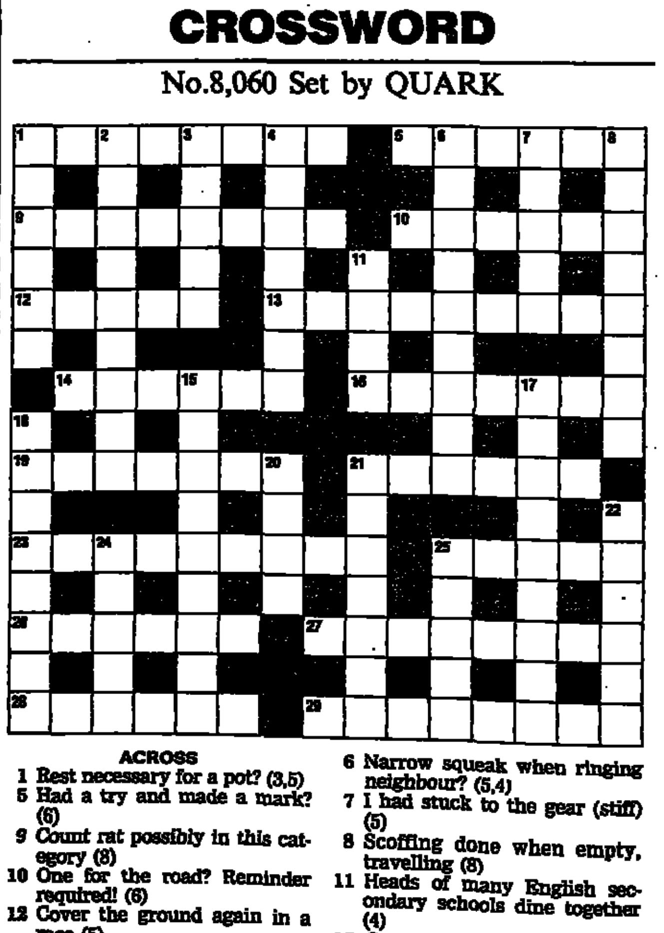
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,060 Set by QUARK



ACROSS

1 Rest necessary for a pot? (3,5)
5 Had a try and made a mark? (6)
9 Count rat possibly in this category (8)
10 One for the road? Reminder required! (6)
12 Cover the ground again in a race (5)
13 Writer's aim in the dictionary is without fixed limits (4,5)
14 To be alarmed when leg wrenched by marshy ground (6)
16 Train here for a post? (7)
19 Let out on contract (7)
21 Officer one found in taxi returning from the sea (6)
23 Redo van up after damaging kind of garage door (2,3,4)
25 Guide to assertive person losing head (5)
26 Transport right into HQ (6)
27 Is cloth one to be woven, treated as a whole? (8)
28 The light unit in the river is most elegant (2,4)
29 Narrow path nearly always around grassland (8)

DOWN

1 School t-tours for the teachers (6)
2 One caught out at beginning of month (5,4)
3 Part of the garden without hesitation is unsatisfactory (5)
4 Model AA put out as fashionable (1,2,4)
6 Narrow squeak when ringing neighbour? (5,4)
7 I had stuck to the gear (stiff) (5)
8 Scoffing done when empty, travelling (8)
11 Heads of many English secondary schools dine together (4)
15 Great team turning up to present main prize (5,4)
17 Eire fare? (5,4)
18 Wing finally complete, but not allowed in the air (8)
20 Agent parts with nothing, showing grudge (4)
21 Bird nearly all brown, ruffled (4,3)
22 Expensive diamonds in possession of peer (6)
24 Petrify a saint, say (5)
25 Tune I specially arranged for get together (5)

Solution to Puzzle No.8,059

WORLD STOCK MARKETS

AUSTRIA

January 25	Sch	+ or −
Austrian Airlines	1,520	−35
Creditanstalt Pf	438	−1
EA General	3,089	−11
EVN	719	−4
OeMV	593	−6
Perlmooser Zement	1 095	
Radex Heraklith	300	−5
Reininghaus Brue	1,000	+10
Steyr Daimler	204	−2
Veitscher Magnesit	234	...
Verbund (Br) A	390	−2
Vienna Int Airport	445	−4
Wienerberger	3,050	+25
Z-Laenderbank	1,005	...

BELGIUM/LUXEMBOURG

January 25	Frs.	+ or −
AG Group	2,215	−5
Ackermans	2,370	+15
Almanij	6,090	+30
Arbed	1,915	+5
BBL	3,260	+10
Bank Intl a Lux	11,500	...
Banq Gen Lux Pts	14,500	+275
Banque Nat Belg	33,600	+75
Bekaert	13,750	+25
CBR Ciment	8,290	+10
CMB	1,550	−10
Cobepa	4,280	−10
Cockerill Priv	84	−2

FRANCE (continued)

January 25	Frs.	+ or −
Bouygues	583	−7
CGIP	875	−1
Canal+	1,102	−35
Cap Gemini S	143.90	−7.30
Carnaudmetalbox	193.40	−5 10
Carrefour	2,268	−44
Casino	152.60	−1.40
Chargeurs	1,240	−8
Club Mediterranee	395 10	−9.90
Cogifi	326	....
Coparex Int	615	...
C C F	212.50	−5.20
Cr Fonc France	986	−9
Cred Lyon (CI)	515	−4
Credit Local Fr	328	−11.50
Credit Nationale	1,220	−44
Damart	3,255	+5
Docks de France	390	−5
Dollfus Mieg Cie	263.10	−4
EBF	670	....
Eaux Cie Genl	2,068	−15
Ecco	413.50	−7.50
Elf Aquitaine	324.30	−16.50
Elf Aquitaine Certs	226	−6
Elf Sanofi	983	+5
Eridania B-Say	578	−3
Eridania B-Say CI	466	−4
Essilor Int	405	+5
Etex	1,830	+30
Eurafrance	1,489	+7

CANADA

MONTREAL
3 pm January 25

Sales	Stock	High	Low	Close	Chng
45800	BombrdierB f	$12⅛	11⅞	11⅞	+⅛
3800	Camblor	$11⅛	11	11⅛	
89600	Canimp Bk	$24¼	d24	24	−¼
400	CanMarconi	$13½	d13¼	13½	
3800	Cascades	$6⅜	d6¼	6¼	−⅛
4700	DominTxt A	$9	9	9	−⅛
3000	MacleanHnt	$11⅞	11⅞	11⅞	+¼
14500	NatBk Can	$7¼	d7⅛	7⅛	
1200	Quebecor A	$18¼	18¼	18¼	
125400	Teleglobe	u$15	14¾	15	+¼
12900	Univa	u$8⅛	7¾	8⅛	+¼
3700	Videotron	$18	17⅞	18	

Total Sales 12,385,700 shares

f - No voting rights or restricted voting rights

INDICES

NEW YORK

DOW JONES	Jan 22	Jan 21	Jan 20	Jan 19	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3256.81	3253.02	3241 95	3255.99	3413.21 (1/6/92)	3136.58 (9/10/92)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	104.06	104 06	103 94	103 98	104 06 (21/1/93)	98.41 (20/3/92)	104.06 (21/1/93)	54.99 (1/10/81)
Transport	1483 05	1490.70	1500.57	1510.44	1520.11 (18/1/93)	1204.40 (26/8/92)	1532 01 (5/9/89)	12.32 (8/7/32)
Utilities	223 08	223 77	222.08	222.90	225.59 (3/1/92)	200.74 (8/4/92)	236 23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3292.74 (3269.77) Low 3225.74 (3219.25) (Theoretical♦)
Day's High 3267.34 (3257.62) Low 3250.32 (3231.95) (Actual♦)

STANDARD AND POOR'S

	Jan 22	Jan 21	Jan 20	Jan 19	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	436.11	435.49	433.37	435.13	441.28 (18/12/92)	394.50 (8/4/92)	441.28 (18/12/92)	4 40 (1/6/32)
Industrials	504 42	503.59	501.19	502.69	515.75 (18/12/92)	470.91 (8/4/92)	515 75 (18/12/92)	3.62 (21/6/32)
Financial	41.99	41.98	42.00	42.27	42.27 (19/1/93)	32.40 (8/4/92)	42.27 (19/1/93)	8.64 (1/10/74)
NYSE Composite	240.41	239.82	238.89	239 66	242.08 (18/12/92)	217.92 (8/4/92)	242.08 (18/12/92)	4.46 (25/4/42)
Amex Mkt. Value	406.36	405.58	405.21	403.84	418.99 (12/2/92)	364.85 (9/10/92)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	701.64	700.77	697.44	696.81	701.64 (22/1/93)	547.84 (26/6/92)	701.64 (22/1/93)	54.87 (31/10/72)

	Jan 15	Jan 8	Dec 31	year ago (approx.)
Dow Industrial Div. Yield	3.17	3.19	3.14	2.83

	Jan 20	Jan 13	Jan 6	year ago (approx.)
S & P Industrial div. yield	2.60	2.59	2.58	2.78
S & P Indl. P/E ratio	26.62	26.70	26.85	23.24

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
LTV	14,989,300	1¼	+ ½
Oak Ind	8,008,800	3½	+ 1
Tucson Elec	4,965,700	3⅝	+ ¼
Gen Motors	4,120,800	37⅞	+ ⅜
Wal-Mart	3,964,800	62⅝	+ 3¼
Chrysler	3,637,000	39⅝	+ 1⅜
IBM	3,411,000	48½	+ 2⅛
Bristol Myers	3,119,100	60⅝	- ⅛
Citicorp	3,115,200	26⅛	+ ⅜
Am T & T	3,014,500	53⅞	- 1¼

TRADING ACTIVITY

† Volume Millions	Jan 22	Jan 21	Jan 20
New York SE	294.470	257.350	267.740
Amex	18.757	17.029	16.261
NASDAQ	239.812	(u)	(u)
NYSE			
Issues Traded	2,435	2,425	2,431
Rises	1,090	1,018	884
Falls	772	795	976
Unchanged	573	612	571
New Highs	150	111	133
New Lows	12	17	14

CANADA

TORONTO	Jan 22	Jan 21	Jan 20	Jan 19	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2777.67	2743.31	2745.51	2760 05	3238.87 (16/1/92)	2529.91 (17/11/92)
Composite	3275.97	3275.80	3290.14	3288.10	3666.00 (16/1/92)	3195 40 (14/10/92)
MONTREAL Portfolio	1725.40	1720.97	1727.04	1729.05	1937.59 (16/1/92)	1663.16 (14/10/92)

Base values of all indices are 100 except NYSE All Common−50; Standard and Poor's−10; and Toronto Composite and Metals−1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Jan 25	Jan 22	Jan 21	Jan 20	1992/93 HIGH	1992/93 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1523 4	1523.0	1519 1	1521.8	1684.50 (22/5/92)	1357 30 (16/11/92)
All Mining (1/1/80)	592.4	589 6	590 6	592.4	726.80 (3/7/92)	545.40 (16/11/92)
AUSTRIA						
Credit Aktien (30/12/84)	306 69	307 49	306.90	305.94	458.57 (24/2/92)	291.41 (13/8/92)
Traded Index (2/1/91)	728.19	730.97	732.40	731.10	1099 43 (24/2/92)	682.96 (13/8/92)
BELGIUM						
BEL20 (1/1/91)	1169 45	1172.32	1164 41	1150.74	1235.40 (2/6/92)	1046.67 (2/9/92)
DENMARK						
Copenhagen SE (3/1/83)	279.34	278.84	278.14	276.91	365.29 (15/1/92)	250 42 (28/10/92)
FINLAND						
HEX General (28/12/90)	856 4	843.1	855.7	862.7	935 90 (24/2/92)	541.00 (7/9/92)
FRANCE						
CAC General (31/12/81)	481.25	479 16	477.52	480.94	555.93 (12/5/92)	441.70 (7/10/92)
CAC 40 (31/12/87)	*1779.90*	*1820.42*	*1812.18*	*1818.82*	*2077.49 (11/5/92)*	*1611.04 (5/10/92)*
GERMANY						
FAZ Aktien (31/12/58)	617.50	622.10	618.01	616.47	725.26 (26/5/92)	565.61 (12/10/92)
Commerzbank (1/12/53)	1750.5	1763.9	1752.6	1747.9	2043.80 (25/5/92)	1594.60 (12/10/92)
DAX (30/12/87)	1569.24	1587.64	1573 67	1574.88	1811.57 (25/5/92)	1420.30 (6/10/92)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	(c)	5914.39	5877.02	6447.11 (12/11/92)	4301.78 (2/1/92)
IRELAND						
ISEQ Overall (4/1/88)	1231.39	1239.59	1234.45	1228.65	1469.57 (17/1/92)	1094.88 (19/10/92)
ITALY						
Banca Com. Ital (1972)	472.09	481.62	487.60	485.34	551.59 (6/2/92)	354.93 (16/9/92)
MIB General (4/1/93)	1042.0	1064.0	1077.0	1072.0	1078.00 (19/1/93)	992.00 (11/1/93)
JAPAN						
Nikkei (16/5/49)	16287.45	16336.81	16538.68	16610.18	23801.18 (6/1/92)	14309.41 (18/8/92)
Tokyo SE (Topix) (4/1/68)	1250.06	1256.70	1264.66	1266.08	1763.43 (6/1/92)	1102.50 (18/8/92)
2nd Section (4/1/68)	1666.35	1666.15	1668.87	1676.06	2459.85 (6/1/92)	1502.77 (19/8/92)
MALAYSIA						
KLSE Composite (4/4/86)	(c)	(c)	625.93	622.61	660.35 (5/11/92)	546.63 (14/1/92)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	297.1	298.6	299.2	298.2	314.90 (9/6/92)	274.00 (8/1/92)
CBS All Shr (End 1983)	200 0	200.9	201.3	200 7	215.50 (26/5/92)	189.70 (25/8/92)
NORWAY						
Oslo SE (Ind) (2/1/83)	677.39	688.87	686.11	689.27	772.74 (18/5/92)	532.43 (25/8/92)
PHILIPPINES						
Manila Comp (2/1/85)	1340.14	1341.47	1331.24	1309.68	1580.95 (11/6/92)	1083.01 (17/3/92)
SINGAPORE						
SES All-Singapore (2/4/75)	(c)	402.54	402.01	399.62	416.99 (21/1/92)	351.41 (21/10/92)
SOUTH AFRICA						
JSE Gold (28/9/78)	809.0♥	820.0	796.0	771.0	1327.00 (21/1/92)	746.00 (10/11/92)
JSE Industrial (28/9/78)	4518.0♥	4535 0	4519 0	4521.0	4689.00 (4/6/92)	3936.00 (19/10/92)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	707.61	(c)	699.92	700.00	709.77 (9/1/93)	459 07 (21/8/92)
SPAIN						
Madrid SE (30/12/85)	230.10	232.18	234.09	234.07	266.51 (28/2/92)	179.48 (5/10/92)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	892.4	912.9	927.20	933.1	1014.50 (11/5/92)	639.00 (5/10/92)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	921.3	929.5	924.5	914.7	938.10 (5/1/93)	748.50 (8/1/92)
SBC General (1/4/87)	699.1	704 0	699.8	692.1	704.00 (22/1/93)	596.40 (26/8/92)
TAIWAN**						
Weighted Price (30/6/66)	(c)	(c)	3420.62	(c)	5391.63 (30/1/92)	3088 43 (9/1/93)
THAILAND						
Bangkok SET (30/4/75)	998.44	979.70	965.34	961.30	998.44 (25/1/93)	667.84 (19/5/92)
WORLD						
M.S. Capital Intl.(1/1/70) $	496.1*	492.8	492.8	492.8	*542.10 (7/1/92)*	*467.50 (8/4/92)*
Euro Top-100 (26/6/90)	874.54	882.56	883.28	883.99	976.55 (25/5/92)	772.52 (5/10/92)

**Saturday January 23: Taiwan Weighted Price: (c), Korea Comp Ex. (c).
♥ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX−1,000, JSE Gold−255.7, JSE 26 Industrials−264.3 and Australia All Ordinary and Mining−500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks
Monday, 25 January, 1993

	Stocks Traded	Closing Prices	Change on day
Green Cross	3.5m	1,130	-40
Meiji Milk Prod	3.0m	800	-26
Nippon Steel	2.8m	279	-1
Isuzu Motor	2.6m	345	-9
Mitsubishi Elec	2.3m	475	
NEC Corporation	2.2m	610	-21
Hitachi	2.0m	893	-12
Kawasaki Steel	1.6m	278	
Toshiba Corp	1.6m	602	
Mitsubishi Heavy	1.4m	602	-8

3 pm January 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous page

1992 - 93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Prev. Close Ch'ge
87½	79¼	Xerox	3.00	3.6	19	1307	83½	82½	82⅞	+⅛
53⅛	52	Xerox4.125				5	u53¾	53¼	53¾	+1¼
44⅛	24⅞	Xtra 1 94	1.94	4.4		29	u44⅛	44⅛	44⅛	
70½	62½	Xtra Corp	0.80	1.2	18	46	69	67¾	68⅞	+⅞
30⅝	29⅞	Yankee Egy	1.68	5.6	13	24	30	29¾	30	−⅛
13/16	⅞	Zapata			43	1500	⅞	13/16	⅞	
6¼	5⅞	ZenithElec			2	456	u6¼	6	6⅛	
21¾	19⅝	Zenith Nat x	1.00	4.6	10	251	u22	21½	21⅞	+1⅛
7⅛	6½	Zenix Inc x	0.82	11.5		8	u7⅛	7	7⅛	+⅛
14¾	12¾	Zero Corp	0.40	3.0	19	87	13½	13¼	13¼	
40¾	37⅞	Zurn Ind	0.88	2.3	43	373	38⅜	d37⅞	38¼	+⅛
13⅛	12¾	Zweig Fund	1.44	11.2		99	13	d12¾	12⅞	
10⅜	9⅞	Zweig Totl	0.96	9.3		338	u10⅜	10¼	10⅜	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1. excluding the latest trading day. Where a split or stock *dividend amounting to 25 percent or more has been paid, the* year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months. estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or *receivership or being reorganised under the Bankruptcy Act,* or securities assumed by such companies. wd-distributed wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm January 25

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.10	27	904	12⅞	12¼	12⅞	−⅛
Perini	0.80	17	20	17¾	17½	17½	−⅛
Pet H&P	1.14	11	13	17¼	d16¾	17¼	
Phil LD	0.25	9	589	u35⅜	34⅞	35	−¼
Pittway A	1.10	18	28	34⅞	34½	34¾	+¼
Ply Gem	0.12	25	38	13	12⅞	12⅞	−¼
PMC	0.72	19	165	14⅞	14⅝	14¾	−⅛
PresidiolA	0.10	0	63	1	15/16	15/16	−1/16
Solar Ph		57	305	u8¾	8⅛	8⅝	
Bow Valley		3	112	u8⅝	8½	8⅝	+¼
Bowmar		12	187	2 9/16	2½	2 9/16	
Bowne	0.30	10	816	u17⅞	17¼	17¾	+¼
Brascan A	1.04	10	57	9⅞	9¾	9¾	+¼
Cal Engy		23	989	20⅝	20⅛	20½	−¼
Calprop		0	3	u1⅝	1⅝	1⅝	−⅛
Can Marc	0.23	6	2100	10⅝	10⅝	10⅝	
Chmbrs A	0.01	32	384	5¼	5	5⅛	−⅛
Chambers		6	25	5½	5⅜	5⅜	+⅛
Champion		29	695	u13⅛	12⅜	12⅞	+⅜
Forest La		32	1226	42¼	41½	41½	−⅜
Frequency		26	4	4⅝	4⅝	4⅝	+⅛
Fr ofLoan		19	3368	44¼	d42⅞	44⅛	+⅛
Giant FdA	0.58	78	213	22	21¾	21⅞	+⅛
GlatflTr x	0.70	12	670	u18⅛	17⅞	18⅛	+⅛
Goldfield		3	351	u11/16	9/16	⅝	
Greenman		6	15	4½	d4⅛	4⅛	
Gulf Cda	0.34	3	744	2 3/16	d2⅛	2⅛	
Hasbro	0.20	19	950	34⅝	34	34½	
Health Ch		18	56	2¼	2⅛	2¼	−⅛
Mem Co		3	38	8¼	8¼	8¼	
Moog A		7	296	u8⅞	8⅛	8⅛	+⅛
MSR Expl		1	11	⅞	d⅞	⅞	
Nat Ptnt		12	311	3⅛	3	3	−⅛
New Line		32	174	u14½	13⅞	14⅛	+⅛
NY TimesA	0.56	69	717	27¼	26½	27⅛	−⅛
NthCanOil	0.17	43	11	7⅞	d7⅞	7⅞	
Numac O&G		2	40	u5	4 13/16	5	+⅛
NV Ryan		1	292	⅞	13/16	⅞	
Odetics A		88	82	7⅛	6⅞	7⅛	+⅛
Olsten	0.32	33	290	40	40	40	−⅛
UnivPtnts		51	29	10	9⅝	9⅝	−¼
US Cellul		99	51	22⅞	22½	22⅞	
WangLab C		0	37	u2⅝	2⅛	2⅜	+⅛
WangLab B		0	13191	u1½	1⅜	1½	+⅛
Westbrid		110	2621	u5⅞	5½	5½	−⅜
Wesmar x	0.52	11	151	24⅝	24¼	24½	−⅜
WIRET	1.12	20	222	u14⅜	13⅞	14⅛	+⅛
Worthen	0.15	10	134	u25⅞	25¼	25⅝	+¼
Xytronix		6	10	7	7	7	−⅛

NASDAQ NATIONAL MARKET

3 pm January 25

AMERICA

US markets lifted by rise in oils, bonds

Wall Street

RISING oil stocks and a buoyant bond market gave US stock markets a big lift yesterday, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 32.96 at 3,289.77. The more broadly based Standard & Poor's 500 was 4.05 higher at 440.16, while the Amex composite was 3.07 firmer at 409.43, and the Nasdaq composite was up 6.32 at 707.95. Trading volume on the NYSE was 173m shares by 1 pm.

There were two distinct factors behind the market's gains. First, oil stocks were in strong demand on news that the Organisation of Petroleum Exporting Countries is close to agreeing to a Saudia Arabian proposal to cut production by up to 1m barrels a day.

Second, equity investors were buoyed by further gains in bond prices. The benchmark 30-year government bond fell almost three quarters of a point, sending the yield down to below 7¼ per cent.

Ironically, the bond market's advance was prompted by comments over the weekend by treasury secretary Mr Lloyd Bentsen on taxation policy that would normally have been bad news for stocks – he cast doubt on whether the new administration would cut taxes paid by the middle classes, and talked of the possible introduction of energy and consumption taxes.

Equity investors, however, chose to ignore the tax issue, and concentrated instead on the latest decline in bond market rates, which they hope will provide fresh fuel for the slowly recovering economy.

Oil stocks were firmer. Texaco rose $2⅛ to $60¼, Exxon added $2 at $60⅛, British Petroleum rose $1½ to $44¼, Chevron firmed $1¾ to $69⅝, and Royal Dutch Petroleum gained $1¾ at $81⅜.

Airline stocks, however, were lower on the news of possible Opec production cuts, because they would push up the cost of aviation fuel. AMR, parent of American Airlines, fell $1¾ to $64¼. Delta dropped $⅝ to $50⅝, UAL slipped $1 to $122 and USAir eased $¼ to $14⅜.

Among individual stocks, Sears rose $2 to $50⅞ in busy trading after the company announced plans to close its catalogue business and discard about 150 retail outlets, with the loss of 16,000 jobs. Although Sears is taking a $1.7bn after-tax charge in the fourth quarter to cover the changes, investors welcomed the measures.

General Motors class E shares, which represent the company's Electronic Data Systems (EDS) subsidiary, rose $1¼ to $35¼ on speculation that BT, the UK telecommunications group, is ready to buy a large stake in EDS.

On the Nasdaq market, leading technology stocks posted strong gains, with Intel up $3 at $114⅛ and Microsoft $⅞ higher at $90¼.

Canada

TORONTO held onto broad-based gains at midday as strength on Wall Street underpinned several leading Canadian blue chip issues.

The TSE 300 index rose 15.4 to 3,291.4.

Beverage producer Cott Corp led the gains, rising C$4⅛ to C$40⅛ following recent reports that the company plans to expand in South America.

SOUTH AFRICA

SHARES drifted lower in relatively quiet, directionless trade, although mining related-stocks remained firm. The overall index lost 6 to 3,398 and the industrial index shed 18 to 4,517. The gold index was 11 lower at 809.

EUROPE

Chemicals sector depresses continental trading

THE continent reacted to forecasts of lower earnings by chemical and pharmaceutical groups, *writes Our Markets Staff.*

FRANKFURT fell on sharp declines in the chemical and pharmaceutical sectors after reports of brokers downgrades and lower than expected January drug sales. Activity was also depressed by the weaker dollar which affected export-sensitive stocks and the breakdown at the weekend in pay talks between the government and public sector union.

The DAX index closed 18.4 lower at 1,569.24 after a day's high of 1,582.21 as turnover fell to DM4.3bn from Friday's DM5.7bn.

Schering, down DM12.50 at DM703.50, continued to weaken as concern over its agrochemicals division surfaced again, while Basf lost DM2.50 to DM212.20, Bayer fell DM3.00 to DM269.30 and Hoechst shed DM4.00 to DM252.30. Some analysts said that defensive stocks were losing ground as investors turned to cyclicals in anticipation of economic recovery next year.

BMW declined DM15.30 to DM501.50 after forecasting lower car sales and warning that earnings would remain weak. Elsewhere in the sector Volkswagen sliped DM4.70 to DM273.00 while Daimler was DM3.80 lower at DM572.70.

PARIS was depressed after rumours that a cut in domestic interest rates was imminent proved unfounded. The CAC-40 index, which had earlier seen a day's high of 1,813.86, fell back to close down 40.50 or 2.2 per cent at 1,779.90 in turnover of some FFr2bn.

Concern about 1992 earnings from Elf, due to be released today and expected to show up to a 40 per cent decline in net profit, also weighed on the market. Its shares fell FFr16.50 or 4.8 per cent to FFr324.30.

St Gobain lost all of Friday's gains, down FFr14.90 to FFr481.00 while Paribas, which reports provisional 1992 figures later in the week was down FFr12.50 at FFr373.50.

ZURICH finished a moderately active session easier but above the day's low. The SMI index finished down 17.3 at 2,085.4.

Pharmaceuticals were under pressure: Ciba-Geigy registered shares, SFr3 lower at SFr653, topped the active list while Roche certificates, down SFr30 at SFr4,090, were second.

The weak dollar put some selling pressure on cement producer Holderbank, SFr6 easier at SFr552 and on Alusuisse, SFr7 lower at SFr453. Nestlé bearers and registered shares fell SFr10 and SFr15 to SFr1,080 and SFr1,075 respectively ahead of preliminary information on its 1992 results due today.

SMH, SFr80 lower at SFr1,485, weakened after a weekend newspaper said its project to make an ecological car, from which Volkswagen has withdrawn, was unlikely to succeed and this could hamper sales of the Swatch watch.

AMSTERDAM saw chemicals weaken in line with the trend elsewhere in the continent and the CBS Tendency index closed down 0.9 at 98.0.

Daf was suspended at Fl 7.20 ahead of the announcement by the group later today of restructuring plans. The market is expecting state aid from the Dutch and Belgium government in conjunction with further staff cuts.

Among the fallers DSM lost Fl 2.40 to Fl 76.00, Akzo Fl 1.30 to Fl 135.70 and Ahold Fl 1.20 to Fl 87.40.

MILAN retreated, with the market taking its lead from falls in Montedison and Credito Italiano. The Comit index shed 9.53 to 472.09.

Montedison fell L61 to L1,216, on reports it might have to pay state energy holding ENI L800bn to settle a dispute over a joint venture which ended several years ago.

Credito Italiano fell sharply on reports that it would not be privatised, and failed to recover much when the reports were denied by IRI, its parent company, and Merrill Lynch, which has been appointed by IRI to study the sale of IRI's 67 per cent stake.

Credito's shares were fixed L97 lower at L2,978 but struggled back to L3,000 in after-hours trading.

Pirelli dipped L9 to L1,189 as it agreed to sell its STL Superga clothing and footwear unit to a subsidiary of Sopaf, an Italian financial group, for L103bn, realising a L70bn book profit on the operation.

Gemina fell L80 to L1,205 as speculation subsided that the company might be considering the sale of its stake in paper producer Burgo.

Fiat tended L45 easier to L4,286 ahead of preliminary figures on Thursday.

STOCKHOLM was broadly lower in heavy trading, led down by a decline as foreign investors sold holdings in Astra. The Affärsvärlden index declined 20.5 to 892.4.

After reaching an all-time high at the beginning of the year at SKr765 for Astra A shares, the issue closed SKr20 lower at SKr674, while the B counterpart dropped to SKr18 to SKr661.

Astra's fall followed reports of analysts' profits downgradings and also reflects a world-wide trend away from pharmaceutical shares due to fears of price regulation, particularly in the US.

VIENNA was easier with the ATX index down 2.78 at 728.19.

OMV shares fell Sch6 to Sch593 on last week's announcement of a dividend cut.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

January 25 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1081.77	1081.05	1081.15	1079.91	1076.83	1076.12	1076.50	1077.68
FT-SE Eurotrack 200	1151.44	1151.00	1151.44	1151.63	1148.80	1146.90	1146.46	1146.87

	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18
FT-SE Eurotrack 100	1091.64	1091.44	1091.84	1090.81	1097.15
FT-SE Eurotrack 200	1156.91	1154.96	1153.29	1155.89	1166.50

Base value 1000 (26/10/90) High/day: 100 - 1081.83; 200 - 1153.20 Low/day: 100 - 1075.08 200 - 1145.05

Source: FT Graphite

ASIA PACIFIC

Tokyo stocks weaken slightly on arbitrage selling

Tokyo

SHARE prices moved within a narrow range on small-lot selling, and the Nikkei average closed moderately lower as public fund buying gave way to arbitrage selling, *writes Emiko Terazono in Tokyo.*

The 225-issue index closed down 49.36 to 16,287.45, moving between a low of 16,266.78 and a high of 16,374.94. Selling by corporate investors and arbitrageurs finally overcame small-lot public buying.

Volume fell to 170m shares from 190m as most investors remained on the sidelines. Losers led gainers by 617 to 305 with 178 issues remaining unchanged.

The Topix index of all first section stocks fell 6.64 to 1,250.06 and in London the ISE/Nikkei 50 index rose 0.82 to 1,018.80.

Most market participants remained inactive during the Bank of Japan branch managers' two-day meeting which started yesterday.

The BoJ will assess the present state of the country's regional businesses in the meeting, and market participants hope some comments over a widely expected monetary easing will be made.

Individual investors sold speculative theme stocks on concerns about a mounting overhang of margin positions. Many investors, who sought theme stocks in September, face margin settlements in March. Green Cross, the pharmaceutical company which was popular on the "Aids theme", was the most active issue of the day, falling Y40 to Y1,130, while Meiji Milk Products lost Y26 to Y800.

Other pharmaceutical issues were also dragged down, with Takeda Chemical down Y10 to Y1,240 and Yamanouchi Pharmaceutical falling Y30 to Y2,420.

Sony rallied on small-lot buying in the morning session on reports that it would increase production of the mini-disc, its next-generation audio system, due to increased demand. However, Sony finally closed down Y20 at Y4,090 on profit-taking. Pioneer Electronic, which lost ground last week on reports of a downwards revision of earnings by a local broker, fell a further Y20 to Y2,350.

Other high-technology issues declined on selling by tokkin, or specified money trusts. Hitachi retreated Y12 to Y693, falling below Y700 for the first time since November last year. NEC fell Y21 to Y610 on earnings concerns as the company plans to join the low price personal computer market, competing against US companies.

In Osaka, the OSE average fell 131.33 to 17,760.05 in volume of 30m shares. Nintendo, the game maker, gained Y100 to Y10,400.

Roundup

HONG Kong, Singapore and Kuala Lumpur were closed for the Chinese New Year holiday.

AUSTRALIAN shares gave up strong gains to end a quiet day marginally higher. Futures trading led the market downwards after the All Ordinaries index hit a peak of 1,531.9. The index finished 0.4 higher on the day at 1,523.4.

Westpac received a favourable market response to its appointment of US banker Robert Joss as managing director. Its shares touched A$2.98 shortly before noon but then sank in line with the index, closing 1 cent lower at A$2.89 in turnover of 3.4m shares.

Significant afternoon options trade was thought to be the result of Mr Kerry Packer rolling over more of his Westpac options.

BHP closed steady at A$13.22 off a high of A$13.36, while CRA ended up 6 cents higher at A$12.80 after reaching A$12.96.

Turnover reached 107.11m shares worth A$186.66m.

Arnotts which said it was considering a share buyback offer, but only after the A$9.50 per share takeover offer from Campbell Soup closes on Thursday, ended 2 cents down at A$9.50.

BANGKOK out-performed expectations and the SET index rose 18.74 to 998.44, having briefly topped the 1,000 level, with turnover a high Bt12.1bn.

NEW ZEALAND shares posted modest gains in thin trading in a market held back by the Wellington Anniversary Day holiday in the capital.

Brierley lifted 3 cents to NZ$1.04 and Carter Holt Harvey, 5 cents to $2.68. Telecom fell 2 cents to $2.33.

The NZSE-40 index closed up 4.85 to 1,503.28.

SEOUL fluctuated narrowly in a day of healthy trading which saw the composite index break through the 700-level to end 7.69 higher at 707.61.

The firm trend emerged in response to the news that South Korea would shortly reduce interest rates, including the central bank's rediscount rate, by 1-2 percentage points.

MANILA saw a three-day rally end with a fall of 1.33 in the composite index to 1,340.14.

Denmark, Finland feature in quiet week

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1993	% change sterling † Start of 1993	% change in US $ † Start of 1993
Austria	+1.63	-1.71	-18.65	-4.05	-5.17	-3.88
Belgium	+2.68	+3.36	-2.18	+3.88	+2.96	+4.35
Denmark	+8.31	+7.85	-21.98	+9.00	+10.08	+11.57
Finland	-7.06	-0.63	-0.64	-0.09	-6.35	-5.07
France	-0.18	-0.62	-1.01	-0.88	+0.34	+1.69
Germany	+2.85	+4.23	-9.00	+3.06	+3.57	+4 97
Ireland	-2.70	+0.52	-17.40	+0.73	+1.84	+3.21
Italy	-0.09	+11.21	-5.41	+9.13	+8.54	+10.01
Netherlands	+0.24	+0.83	+0.57	+1.10	+1.47	+2.85
Norway	-0.28	+1.93	-16.75	+3.16	+3.74	+5.14
Spain	+1.58	+6.81	-6.12	+9.23	+9.16	+10.64
Sweden	-2.41	-3.34	+7.99	-2.34	-4.98	-3.70
Switzerland	+0.20	+2.53	+16.30	+0.99	+0.09	+1.43
UK	+0.63	-1.14	+11.20	-1.72	-1.72	-0.40
EUROPE	+0.76	+1.01	+2.79	+0.51	+0.58	+1.94
Australia	-0.03	-1.00	-8.58	-2.11	-5.62	-4.35
Hong Kong	+0.85	+8.05	+25.51	+6.93	+5.81	+7.04
Japan	-0.82	-7.20	-20.60	-3.91	-5.14	-3.87
Malaysia	+1.56	-2.52	+12.13	-1.36	-1.72	-0.39
New Zealand	-1.66	-3.23	-5.72	-4.76	-5.79	-4.50
Singapore	+0.30	+1.86	-6.02	-0.03	-1.61	-0.27
Canada	-1.15	-1.76	-12.25	-2.53	-4.65	-3.36
USA	-0.12	-0.59	+4.76	+0.20	-1.14	+0.20
Mexico	+1.34	+1.03	+13.61	+1.17	+0.31	+1.67
South Africa	-0.42	+4.75	-11.35	+4.51	+4.30	+5.70
WORLD INDEX	-0.06	-1.77	-3.72	-0.71	-1.71	-0.37

† Based on January 22nd 1993. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited.

By John Pitt

EQUITY markets were relatively calm last week with even the arrival of a new US president doing little to stimulate activity, and the FT-A World index was barely changed in local currency terms. The Pacific Rim was quiet ahead of the Chinese New Year holidays.

In Europe, the Bundesbank's decision on Thursday not to lower interest rates, for the time being at least, came as no surprise; but some disappointing corporate news, particularly in France, left some markets weak.

Lyonnaise-Dumez affected Paris as its shares lost some 14 per cent in two days on news that 1992 profits would be down about 65 per cent on 1991. However, the underlying strength of the market showed itself and the CAC-40 index actually showed a slight gain on the week. Some analysts believe that hopes of lower European interest rates and the possibility of the change of government in March is currently supporting sentiment.

Denmark and Finland showed the widest fluctuations from an otherwise average week with, respectively, an 8 per cent rise and a 7 per cent fall in local currency terms.

Mr Peter Tron, senior manager at Unibank in London, comments that Denmark was encouraged throughout the week by hopes that the Social Democratic party would be able to put together a new government. The formation was finally agreed yesterday afternoon.

However, Mr Tron does not expect a change in the tight economic policy pursued by the former administration, while expectations of a 'Yes' vote in the second Maastricht referendum due in April should further encourage the market.

Finland fell as talks between the government and opposition parties failed to reach agreement over plans to increase funds to support the banking sector from FM20bn ($3.7bn) to FM50bn and the HEX index slipped 5 per cent on the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 22 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY JANUARY 21 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	119.68	+1.3	115.63	94.41	98.93	118.45	+0.2	4.10	118.11	115.36	93.33	99.17	118.15	153.68	108.18	142.43
Austria (18)	134.72	+0.5	130.16	106.28	111.36	112.63	+0.1	2.17	134.09	130.96	105.95	112.58	112.58	186.70	131.16	165.93
Belgium (42)	139.03	+0.9	134.32	109.67	114.92	113.48	+0.6	5.32	137.77	134.55	108.85	115.67	112.79	152.27	131.19	143.19
Canada (113)	111.75	+0.3	107.97	88.16	92.37	103.78	+0.0	3.18	111.41	108.81	88.03	93.54	103.75	142.12	111.36	139.92
Denmark (33)	207.66	+1.8	200.63	163.82	171.66	173.13	+0.6	1.58	203.96	199.20	161.16	171.25	172.06	273.94	181.70	265.42
Finland (23)	66.08	-2.6	63.84	52.13	54.62	76.34	-2.8	1.85	67.81	66.22	53.58	56.93	78.55	89.80	52.84	84.50
France (99)	149.67	+1.7	144.61	118.06	123.71	126.43	+0.4	3.56	147.10	143.67	116.23	123.50	125.87	168.75	136.93	150.97
Germany (62)	109.21	+2.4	105.52	86.17	90.28	90.28	+0.8	2.52	106.63	104.14	84.26	89.53	89.53	129.69	101.59	118.87
Hong Kong (55)	237.15	+0.0	229.13	187.08	196.05	235.48	+0.0	3.82	237.12	231.59	187.36	199.10	235.48	262.28	176.36	190.56
Ireland (16)	140.14	+0.9	135.40	110.55	115.84	118.74	-0.2	4.47	138.88	135.64	109.74	116.61	118.96	173.71	122.98	169.60
Italy (76)	60.36	-0.1	58.32	47.61	49.89	65.89	-1.2	3.15	60.42	59.01	47.74	50.73	66.68	80.86	47.47	79.49
Japan (472)	100.97	-0.5	97.56	79.65	83.46	79.65	-0.6	1.05	101.47	99.10	80.17	85.21	80.17	140.95	87.27	127.03
Malaysia (69)	260.45	+0.1	251.64	205.46	215.29	259.80	+0.0	2.55	260.15	254.08	205.55	218.42	259.80	282.42	212.49	224.16
Mexico (18)	1675.48	+0.6	1618.80	1321.75	1385.01	5687.07	+0.6	1.05	1665.35	1626.50	1315.87	1398.28	5653.59	1789.77	1185.84	1519.20
Netherland (25)	155.71	+1.2	150.44	122.83	128.72	127.07	-0.3	4.48	153.79	150.21	121.52	129.13	127.47	169.70	147.88	154.36
New Zealand (13)	40.96	+1.0	39.57	32.31	33.86	42.20	+0.3	5.18	40.56	39.62	32.05	34.06	42.06	48.52	37.39	45.91
Norway (22)	144.79	+0.9	139.89	114.22	119.69	133.39	-0.1	1.81	143.50	140.16	113.39	120.49	133.47	192.95	126.05	183.12
Singapore (38)	212.78	+0.7	205.58	167.86	175.89	161.25	+0.1	2.04	211.21	206.28	166.89	177.33	161.13	229.63	179.65	226.88
South Africa (60)	156.54	+0.9	151.25	123.49	129.40	164.24	+0.9	3.10	155.09	151.47	122.54	130.21	162.73	263.60	134.21	258.20
Spain (47)	129.02	+0.4	124.65	101.78	106.65	110.54	-0.7	5.49	128.50	125.51	101.54	107.90	111.27	161.72	107.10	155.05
Sweden (36)	159.43	-1.1	154.04	125.78	131.80	169.29	-1.9	2.54	161.21	157.45	127.38	135.36	172.55	200.28	149.69	187.17
Switzerland (56)	114.63	+2.0	110.76	90.44	94.77	103.69	+0.5	2.06	112.39	109.77	88.81	94.38	103.16	122.37	95.99	102.34
United Kingdom (226)	171.67	+1.4	165.87	135.42	141.90	165.87	+0.3	4.49	169.34	165.39	133.79	142.17	165.39	200.07	161.86	180.71
USA (522)	178.46	+0.2	172.42	140.79	147.53	178.46	+0.2	2.87	178.13	173.97	140.75	149.57	178.13	180.06	160.92	169.45
Europe (781)	138.65	+1.4	133.96	109.38	114.62	125.49	+0.2	3.77	136.75	133.56	108.06	114.83	125.27	156.88	131.31	147.18
Nordic (114)	148.69	-0.4	143.66	117.30	122.91	140.07	-1.2	2.19	149.22	145.74	117.91	125.29	141.79	188.52	141.24	186.46
Pacific Basin (715)	106.17	-0.3	102.58	83.76	87.77	85.57	-0.5	1.40	106.54	104.05	84.18	89.46	86.04	141.97	93.70	129.30
Euro-Pacific (1496)	119.33	+0.5	115.29	94.13	98.63	101.44	-0.2	2.52	118.77	116.00	93.84	99.72	101.65	145.21	113.80	136.75
North America (635)	174.33	+0.2	168.44	137.54	144.14	173.41	+0.2	2.89	174.00	169.94	137.50	146.12	173.09	176.04	158.70	167.56
Europe Ex. UK (555)	118.55	+1.4	114.54	93.54	98.02	103.32	+0.1	3.28	116.92	114.20	92.40	98.19	103.21	132.98	111.33	126.71
Pacific Ex. Japan (243)	157.14	+0.6	151.83	123.99	129.91	146.48	+0.1	3.63	156.28	152.63	123.50	131.23	146.34	175.31	146.06	151.76
World Ex. US (1687)	120.47	+0.5	116.39	95.04	99.59	103.55	-0.2	2.53	119.80	117.11	94.75	100.68	103.72	146.91	115.99	139.02
World Ex. UK (1983)	135.98	+0.2	131.38	107.28	112.42	122.71	-0.1	2.47	135.67	132.51	107.21	113.93	122.78	150.58	127.21	145.14
World Ex. So. Af. (2149)	139.06	+0.3	134.36	109.72	114.97	126.15	+0.0	2.68	138.59	135.36	109.52	116.37	126.18	153.05	130.04	147.53
World Ex. Japan (1737)	160.45	+0.6	155.02	126.59	132.65	153.94	+0.2	3.21	159.46	155.74	126.01	133.91	153.65	165.40	151.93	160.84
The World Index (2209)	139.08	+0.3	134.37	109.72	114.98	126.51	+0.0	2.68	138.60	135.36	109.52	116.38	126.53	153.70	130.66	148.24

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